Anheuser-Busch is a
"we" company.
It is team management.
It is honesty and integrity.
It is creativity and ingenuity.
It is the application of
management science.

Above all, it is people,
common sense and hard work.

We don't know the meaning
of the words:
It can't be done.

ANHEUSER-BUSCH COMPANIES, INC.

Annual Report 1987

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ANHEUSER-BUSCH COMPANIES, INC.

"Anheuser-Busch is run by a team–
one of the finest management
teams in American industry."

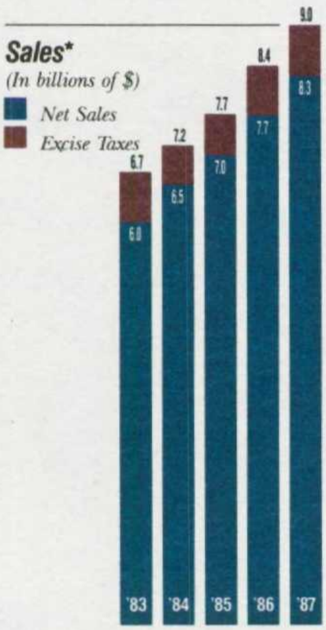
August A. Busch III

1987 Financial Highlights

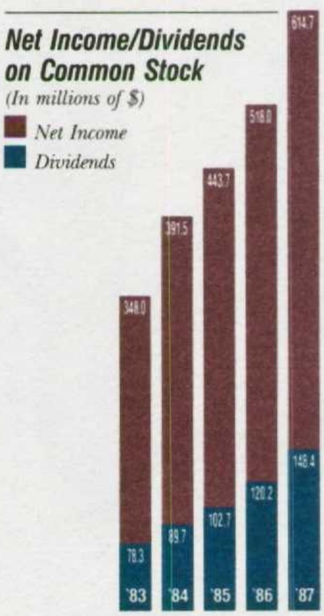
(In millions, except per share, employee, shareholder and statistical data)

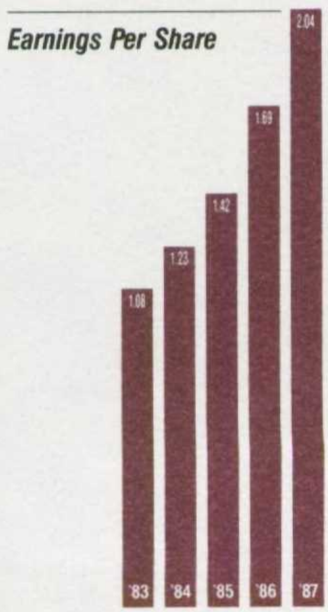
Year Ended December 31,	1987	1986	% Change
Barrels of beer sold	76.1	72.3	5.2
Sales	$9,019.1	$8,401.7	7.3
Excise taxes	760.7	724.5	5.0
Net sales	8,258.4	7,677.2	7.6
Net income	614.7	518.0	18.7
Earnings per share	2.04	1.69	20.7
Cash dividends:			
Common stock	148.4	120.2	23.5
Per share	.54	.44	22.7
Preferred stock	20.1	26.9	(25.3)
Per share	3.23	3.60	(10.3)
All taxes	1,394.1	1,323.5	5.3
Capital expenditures	822.9	777.3	5.9
Depreciation and amortization	315.5	277.5	13.7
Effective tax rate	41.8%	45.0%	(3.2%)
Return on capital employed	12.9%	12.1%	.8%
Return on shareholders equity	22.4%	20.5%	1.9%
Financial Condition At December 31			
Working capital	$ 82.9	$ 5.0	*
Plant and equipment, net	4,914.1	4,427.6	11.0
Long-term debt	1,396.5	1,126.8	23.9
Convertible redeemable preferred stock	—	286.9	(100.0)
Common stock and other shareholders equity	2,892.2	2,313.7	25.0
Per common share	9.87	8.61	14.6
Number of employees	41,541	41,805	(.6)
Number of common shareholders	64,343	53,225	20.9

Note: All per share information reflects the September 12, 1986 two-for-one stock split. **Not meaningful.*



**Number on top of each graph indicates gross sales*





Letter to Shareholders

Anheuser-Busch Companies, Inc., continued to generate significant value for its shareholders in 1987. Sales and earnings surpassed previous records, and the company is well positioned for future growth.

This sustained success reflects not only our tradition of product quality, but a commitment to sound business planning. While quality remains our competitive advantage, planning provides us with the discipline needed to establish financial and business objectives and to evaluate our performance.

The turmoil of last year's financial markets demonstrated the importance of our commitment to attain aggressive performance targets. During 1987, the total value of an investment in Anheuser-Busch—measured by stock price appreciation, plus dividends—increased 29.8%. This return was significantly greater than the overall growth of the stock market, as measured by the Standard and Poors Index of 500 stocks, which advanced 5.1%. Our company's solid financial position and promising business outlook continue to enhance value for our shareholders during uncertain times.

In 1987, the company's gross sales reached $9.0 billion, a 7.3% increase over 1986. Net income totaled $614.7 million, a gain of $96.7 million over the previous year. Earnings per share increased by 20.7% to $2.04. Our growth in earnings per share benefited from fewer shares outstanding as a result of the company's share repurchase programs as well as the phase-in of lower federal tax rates. In line with its objective, Anheuser-Busch continues to achieve double-digit earnings growth before considering the effect of lower tax rates. Return on capital employed (ROCE) grew to 12.9% in 1987 compared to 12.1% in 1986. This comprehensive measure of company performance considers the relationship of net income to the total assets used to generate these earnings.

Although the company establishes overall financial objectives and monitors progress in reaching them, each of our subsidiaries is responsible for developing business strategies that will support attainment of these goals.

In brewing operations, the principal objectives are to increase our leadership position by achieving a 45-50% market share by the mid-1990s and to continue superior earnings growth. A complementary strategy is to enhance the prospect for increases in total beer industry volume.

Brewing Operations

1987 brewing industry volume remained at about the same level as last year; however, we expect annual growth of 1 to 2% over the next several years. A number of positive factors influence the industry environment, including a 1% annual growth in the adult population, relatively favorable prices for beer compared with other consumer products and a shift in consumer preference toward more moderate alcoholic beverages, such as beer.

Anheuser-Busch produced and sold a record 76.1 million barrels during 1987, a 5.2% increase over last year's sales volume of 72.3 million barrels. Market share grew by 1.9 share points to 39.9%.

A major source of our continuing sales strength is our family of approximately 950 wholesalers who represent an important link with customers in communities throughout the nation. Together, we share a commitment to provide the consumer with the highest-quality, best-tasting and freshest beer products through the three-tier distribution system, in which the brewer, wholesaler and retailer each plays an important role.

We are confident that we will continue to increase volume at a rate significantly greater than the overall industry. In 1988, Anheuser-Busch will sponsor the winter and summer Olympics, providing us an excellent opportunity to reach beer consumers. We continue to follow a competitive strategy of raising prices to offset production cost increases while relying on volume gains and productivity improvements to generate the revenue needed to obtain profit objectives. This moderate price increase approach fosters a favorable environment for brewing industry growth.

Anheuser-Busch has invested substantial capital to modernize and expand brewing capacity. The company's 12th production facility, located in Fort Collins, Colo., will come on stream during the second quarter of 1988. When operating at full capacity, the plant will produce 6 million barrels annually and increase total system capacity to 84 million barrels. In order to provide for further growth opportunities, the company has plans to expand capacity of two breweries—the Newark, N.J., brewery by 3.7 million barrels to 9.5 million barrels and the Tampa, Fla., facility by 800,000 barrels to 2.7 million barrels. Both expansions will be completed in 1990. In addition, the company announced during 1987 the selection of a site near Cartersville, Ga., for a proposed 6 million barrel brewery to serve the Southeast.

Political and social issues continue to play an important role in the future of our industry. During 1987, an unprecedented coalition of brewers, wholesalers, retailers and consumers worked together to defeat attempts to raise the federal excise tax on beer. Such an increase would erode recent progress made in reforming the tax code and impose a heavy financial burden on middle and lower income families. It should be noted that Anheuser-Busch bears a heavy excise tax burden. In 1987, the company paid $760.7 million—or 8.4% of gross sales—in federal, state and local excise taxes.

We are encouraged by the progress being made to combat alcohol abuse. Recently, a U.S. government agency reported that it is ahead of its own schedule for reducing alcohol-related traffic fatalities and other indicators of abuse. Our company's voluntary programs, designed to encourage consumers to drink responsibly, are operating in hundreds of communities. We continue to support legitimate measures to accurately educate consumers about the dangers of abuse. We vigorously oppose programs intended to attack all use of alcoholic beverages with disregard for the rights of millions of consumers to drink in moderation.

■ *Other Subsidiaries*

Within the group of businesses that complement our beer operations, we continue to increase our capital investment in Metal Container Corporation, the fastest growing container and lid manufacturer in the United States. Today, Metal Container operates eight plants and is constructing two more that will come on stream within the next two years. Building on its ability to produce high-quality products efficiently and reliably, Metal Container has successfully expanded into the soft drink container market. In 1987, this subsidiary sold approximately one-third of its production to soft drink bottlers from many parts of the country, and plans to expand this effort during 1988.

Campbell Taggart's growing business position and its profit performance were favorably influenced by tonnage gains in its bakery operations, together with unit profit growth. Profit margins expanded as a result of firmer industry price levels, moderate raw material costs and operating efficiencies derived from modernizing and consolidating bakeries. During 1988, we believe that an intensified focus on in-store promotional activities and distribution efficiencies will produce substantial volume gains in the higher margin, branded bread category.

In 1988, Eagle Snacks will significantly increase its marketing efforts in order to establish critical mass for its brands and its distribution network in existing markets. Activities include the introduction of new products, an aggressive advertising campaign and increased trade support. These efforts will enable Eagle Snacks to strengthen its market position prior to opening the Visalia, Calif., plant and expanding the full product line into the western states.

While many important business objectives were attained in 1987, we also took several actions intended to use our management and capital resources more effectively. We restructured the non-beer beverage group of businesses to reduce overhead costs in 1987 and recently decided to sell our interests in Saratoga and à Santé mineral waters and our natural flavored soda, Zeltzer Seltzer. In addition, we agreed in principle to sell our majority interest in Seattle-based Exploration Cruise Lines. Neither of these actions had a significant effect on the company's earnings. In 1988, we are also investigating divestiture of Busch Industrial Products, our baker's yeast subsidiary.

Finally, any review of important developments in our subsidiaries would not be complete without mention of the St. Louis Baseball Cardinals, which had a record season both on the field and at the box office. Our team won its 15th National League pennant and went on to an exciting World Series.

Shareholder Value

Anheuser-Busch reinvested $848 million during 1987 to support the growth of existing businesses and for minor acquisitions. These investments improve our ability to generate long-term profit growth and maximize value for our shareholders.

Several additional measures were taken during 1987 to further enhance the value of shareholder investment. The Board of Directors raised the quarterly dividend by 25%—from $.12 to $.15 per share of common stock. This rate of increase exceeded the company's earnings-per-share growth of 20.7%. The full year dividend for 1987 was $.54, an increase of 22.7% over the $.44 per share paid in 1986.

A share repurchase program begun in 1984, which covered almost 10% of the company's outstanding shares, was completed early in 1987. The repurchased shares offset the common shares issued in November 1987 to convert preferred stock issued in connection with the acquisition of Campbell Taggart.

The Board of Directors authorized a second share repurchase program in 1987 which provides for the acquisition of up to 15 million shares — or approximately 5% of the company's common stock—over approximately the next two years. The two programs provide an attractive investment opportunity based on our favorable business outlook.

In a step to broaden and increase ownership of our stock, Anheuser-Busch listed its common shares on the Tokyo Stock Exchange during 1987. This is the seventh listing for Anheuser-Busch shares on an international exchange.

Finally, we announced the development of the Anheuser-Busch Trust Plan. This is an agreement among those who will gain control of almost 10% of the company's stock upon termination of the Busch family trusts. These parties have agreed to participate in an organized selling program for any shares they may elect to liquidate as a result of the trust terminations. The sale of shares would be through a secondary offering which would allow an orderly distribution into the marketplace.

Other Developments

In April 1987, Charles F. Knight, chairman, president and chief executive officer of Emerson Electric Company, was elected to the Board of Directors. Mr. Knight brings an extensive business background to our company. We are fortunate to have him serve on our board.

We appreciate the efforts and enthusiastic involvement of all of our employees—the majority of whom are shareholders—in achieving meaningful productivity gains in our operations during the past year. This challenge has become increasingly important because of widespread and often excessive price discounting. As a result of our commitment to quality, both in ingredients and in our unique brewing process, our beer production costs will remain high compared with other producers. To maintain our competitive position and to produce an attractive return to shareholders, we will endeavor to keep our production costs as low as possible, consistent with our commitment to quality.

In meeting this challenge, we can depend upon highly motivated employees who share a sense of integrity and purpose. They understand and enthusiastically support our traditions of product quality and excellence which, when nurtured by strong management and supported with teamwork, are at the heart of Anheuser-Busch's past and future success.

Sincerely,

August A. Busch III
Chairman of the Board and President
February 8, 1988


STOP

Anheuser-Busch Companies

Diversification

Although beer has always been—and will continue to be—Anheuser-Busch's primary product, the company is committed to well-planned and managed growth. Long-term diversification strategies—which include vertical integration, internal development of new business areas and acquisitions—reflect this commitment.

The company's vertical integration strategy has resulted in increased knowledge of the economics of those businesses, assured quantity and quality of supply, and control of both packaging and raw materials costs.

The company continues to nurture internally developed businesses such as Metal Container Corporation, Anheuser-Busch International, Inc., Eagle Snacks, Inc. and Busch Entertainment. It also diversifies through acquisition. Campbell Taggart, for

example, allowed Anheuser-Busch to diversify into the food and baking industry both in the U.S. and internationally.

Other diversification projects draw on the research and development expertise of Anheuser-Busch Companies' yeast fermentation technology. One example of using this technology is the research and development agreement established with Interferon Sciences, Inc., which extends through 1988. Anheuser-Busch has production rights and will receive royalties on all recombinant products sold by Interferon Sciences. It also has warrants for the purchase of Interferon Sciences common stock.

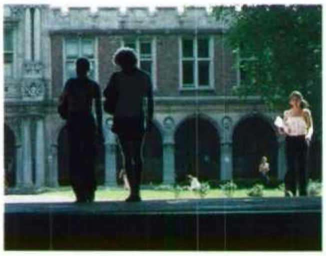
Long-range plans call for continued diversification efforts that are consistent with the company's growth strategy.

The Anheuser-Busch headquarters is located in St. Louis, Mo. The company's subsidiaries include the world's largest brewing organization and the country's second-largest producer of fresh-baked goods. Anheuser-Busch Companies was ranked as the 43rd largest industrial corporation in the U.S. in the most recent Fortune magazine listing.

Corporate Citizenship

During 1987, Anheuser-Busch Companies and its charitable foundations contributed approximately $20 million to non-profit organizations, including the United Way, social service agencies, arts and cultural groups, health care institutions, and colleges and universities.

In the cities where its breweries and wholesale operations (company-owned distributorships) are located, Anheuser-Busch, Inc. sponsors Operation Brightside—an



innovative clean-up and beautification program that has the special benefit of providing summer jobs for local youth.

Other charitable activities include: an employee matching gift program for educational institutions; extensive support of such organizations as the USO, YMCA, YWCA and Boy Scouts of America; the Anheuser-Busch / Urban League Community Scholarship Program; the Inroads training program for minority college students; and leadership training programs such as the Coro Foundation.

As the founder and national sponsor of the Lou Rawls Parade of Stars telethon, Anheuser-Busch, Inc., through its Budweiser brand, has helped the United Negro College Fund raise more than $50 million to date in gifts and pledges.

In addition, Anheuser-Busch, Inc. is a national sponsor of the Muscular Dystrophy Association, and in 1987 the company and its wholesalers raised $3.8 million for the annual Jerry Lewis Labor Day Telethon.

In 1987, Anheuser-Busch Companies solidified its role as the nation's corporate leader in support of Hispanic higher education with its second annual commitment of $1 million to the National Hispanic Scholarship Fund (NHSF). The grant helped the NHSF launch the most ambitious and successful fund-raising and internal development program in its history.

Anheuser-Busch also intensified its other Hispanic community relations activities in all parts of the country, providing support to such groups as the Mexican-American Legal Defense Fund, League of United Latin American Citizens, the National Puerto Rican Coalition, and the Cuban National Planning Council.

Industry and Government Affairs

Anheuser-Busch Companies has always taken a leadership role in addressing issues that can have a major impact on the com-

pany and its shareholders. The company's Industry and Government Affairs Department monitors legislative and regulatory developments at the international, national, state and local levels.

The Anheuser-Busch Policy Committee

Anheuser-Busch Companies had another record year in 1987. Many factors contributed to that outstanding performance—a company-wide commitment to quality, dedicated employees, hard-working wholesalers, dynamic retailers and loyal consumers.

Certainly Anheuser-Busch's success is due to all those things. Yet there is a team of people who can take special pride in a job well done. Together they represent many years of Anheuser-Busch experience. They are highly motivated and educated. They are the key decision makers in the company. They are the Anheuser-Busch Companies Policy Committee, the Anheuser-Busch, Inc. Management Committee and the officers of Anheuser-Busch Companies and all of its subsidiaries.

In this year's annual report, we are highlighting the members of the Anheuser-Busch Policy Committee. Every major function within the company is represented by one of the members. The Policy Committee is involved in decisions on strategies, planning, policies and other major internally and externally generated issues and opportunities facing the company. It brings together people with broad-based management skills and expertise in a variety of disciplines who offer many perspectives on each issue. After you read about the members in this report, we think that you will agree with August A. Busch III's comment on page 1.

"Anheuser-Busch is run by a team—one of the finest management teams in American industry."

August A. Busch III
Chairman of the Board and President *Page 17*

Jerry E. Ritter
Vice President and Group Executive *Page 19*

Barry H. Beracha
Vice President and Group Executive *Page 21*

Patrick T. Stokes
Vice President and Group Executive *Page 27*

John H. Purnell
Senior Vice President–Corporate Planning and Development *Page 23*

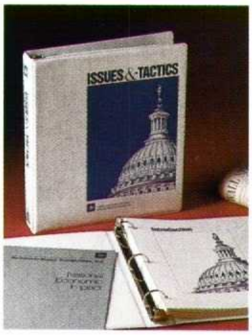
W. Randolph Baker
Vice President and Group Executive *Page 33*

Stephen K. Lambright
Vice President and Group Executive *Page 11*

Stuart F. Meyer
Vice President–Corporate Human Resources *Page 13*

Raymond E. Goff
Vice President and Group Executive *Page 29*

Anheuser-Busch Companies has followed two basic strategies in dealing with legislative and regulatory issues. First, the company recognizes that it must make positive, effective efforts to solve any problems associated with its business or the misuse of its products. And second, through the Industry and Government Affairs Department, Anheuser-Busch has developed a full array of political tools enabling it to effectively counter misguided legislative efforts.



This combination of positive solutions and comprehensive political action has proven itself capable of preserving the company's ability to operate responsibly. Working with professional lobbyists, employees, wholesalers, retailers and America's 80 million beer drinkers, the company is well prepared to address today's legislative challenges. Working through the Beer Institute, the industry's trade association, or through issue-oriented coalitions, Anheuser-Busch can efficiently educate and motivate large numbers of people to contact legislators on issues of mutual concern.

Positive Programs

Anheuser-Busch recognizes that it must earn the right to be heard on political issues. To that end, the company maintains a variety of programs in such areas as alcoholism, alcohol abuse and environmental concerns.

Anheuser-Busch has undertaken a wide variety of programs to combat the misuse of its products, with particular attention to cooperative efforts with the company's wholesalers and the retail community. Program elements include:

- Operation ALERT, a comprehensive grass roots effort using the skills of the company's wholesalers and their retail customers to deliver a credible moderation message to millions of persons each year. Through retailer training for on-site intervention in potential abuse situations, as well as a variety of public education measures, persons who consume the company's products are encouraged to do so responsibly.

- Support for scientific research into the causes and possible cures of alcoholism and alcohol abuse. Anheuser-Busch supports such well-recognized organizations as the Alcoholic Beverage-Medical Research Foundation at Johns Hopkins University School of Medicine, and the Alcohol Research Center at UCLA.

■ Employee education and assistance programs. Anheuser-Busch is a leader in the development of assistance programs to help employees and their families in addressing a variety of problems, including alcohol abuse.

These efforts, and those of other public and private organizations, have proven their ability to reduce the problems of alcoholism and alcohol abuse. Most major indicators of abuse have been declining in recent years, and are expected to continue doing so as a result of higher levels of public awareness.

Political Developments

During 1987, the brewing industry

successfully faced major challenges in the areas of taxation and mandatory deposits on beverage containers.

Several proposals to raise federal excise taxes on beer were made during the year as a means of reducing the nation's budget deficit. Through the Coalition Against Regressive Taxation (CART), Anheuser-Busch has worked with the Beer Institute and with representatives of other industries that pay excise taxes to aggressively oppose additional discriminatory taxes on its products.

Stephen K. Lambright

Vice President and Group Executive

Years with Anheuser-Busch: *10*
Education: *B.S. (accounting), University of Missouri; J.D., St. Louis University Law School; M.B.A. (finance), St. Louis University*
Job Responsibilities: *Industry and legislative activities, legal affairs*

Steve Lambright is an impressive man. A towering six foot, four inches, he has prematurely snow-white hair and the build of a linebacker. Add to that a few other statistics—he's an attorney, has an M.B.A., is a C.P.A., and was an intelligence officer in the Navy Reserve for 23 years, retiring in 1983 with the rank of commander—and most people would be somewhat overwhelmed.

Despite those credentials, however, when he joined Anheuser-Busch as assistant general counsel few realized that he would rise through the ranks so quickly. Least of all Steve.

But Steve's abilities were quickly recognized and within two months he was appointed August Busch's executive assistant.

Today, having far surpassed his original goal of being general counsel, Steve credits August Busch with his rapid rise and success.

"I once tried to thank him for everything he's done for me, and his response was, 'All I did was give you a chance,' " he says.

Steve identifies that willingness to give people a chance as one of the key strengths of Anheuser-Busch management.

"This company has a way of taking people and putting them into totally unexpected positions," says Steve. "But what usually happens is that people discover talents they didn't know they had and they end up growing and contributing in ways they never expected."

Steve, a quick study who can rapidly grasp and analyze intricate problems, finds great personal satisfaction in his work.

"You know, there aren't many people who've been as lucky as I have. I've worked hard to achieve what I have, and I appreciate what this company has done for me. I believe in what Anheuser-Busch stands for, and I am proud to be part of its tradition of quality and integrity."

Although higher federal beer taxes were avoided during 1987, the company expects continued pressures in years to come. Anheuser-Busch strongly opposes discriminatory federal or state excise taxes on alcohol beverages. Anheuser-Busch opposes such taxes because beer is the beverage of choice of working men and women—a group that is already paying its fair share of taxes. Additionally, since more than 90% of the beer sold in the United States is produced by American brewers, beer taxes can disproportionately harm an overwhelmingly domestic industry.

Brewers and soft drink manufacturers worked with their distributors, the retail community and labor organizations to defeat a mandatory deposit referendum in

Washington, D.C., last November. Based on a comprehensive industry educational campaign, Washington residents recognized that mandatory deposits are an extremely inefficient means of combating only a small portion of total litter. Voters defeated the measure by a 55 to 45% majority. Support for the industry came from working men and women, who recognized the proposal as a hidden tax that would fall most heavily on average citizens.

Although no major bills that would ban beer advertising from the electronic media or require warning labels on beer containers were proposed during 1987, the possibility of such legislation remains high. The industry is prepared to oppose any such proposals, pointing out that advertising affects how the market is divided among competing companies rather than increasing the number of persons who drink or the amount people consume.

Additionally, warning labels are an inefficient means of combating abuse and ignore the health benefits associated with moderate consumption. While such labels can stigmatize responsible consumers, they will be largely ignored by the abusers to whom they are directed.

Human Resources

Anheuser-Busch Companies recognizes the importance of human resources in the continued growth and success of its business operations. Not only does the company provide tangible fringe benefits which are among the best in American industry, it has also implemented many intangible forms of developing its people.

The office of Corporate Human Resources continues to focus on human resources issues and activities, including human resource planning. Human resource planning has become an integral part of the corporate and subsidiary business planning processes. It involves identifying and implementing human resource programs that are necessary to accomplish business objectives.

The company believes that the importance of being an excellent manager increases daily. As a result, a curriculum of management development programs similar to those offered by top universities is presented for all levels of management, from supervisory to executive. In addition, special executive development sessions are presented each year for senior executives.

A written Human Resources Policy emphasizes the importance of open, two-way communication. To encourage this

communication, various ongoing programs continue, including annual communication meetings at all major facilities; a "Comment" program, which allows employees to receive confidential written answers from management on questions of concern; and Personnel Communications, a confidential two-way communications program.

The company also continues its quality of work life activities at company facilities around the country.

In addition, in 1978 the company established the first in-house employee assistance program in the brewing industry, and the program continues to help employees and family members cope with their personal problems. ■

Stuart F. Meyer

Vice President—Corporate Human Resources

Years with Anheuser-Busch: *28*
Education: *B.A. (English), St. Louis University; J.D., St. Louis University*
Job Responsibilities: *Labor Relations, all employee benefits, human resource planning and development*

"Sometimes it's a tough line to walk."

Stuart Meyer, responsible for human resource planning and development at Anheuser-Busch, perhaps knows the truth of that statement better than anyone else on the Policy Committee. Because while he must deal with employee issues compassionately, he must also work toward the best interest of the company.

But Stuart is a man who knows how to deal with conflict. And he likes challenges and new opportunities.

"My father used to tell me to take advantage of every opportunity to learn because you gain background, experience and knowledge that will eventually make your skills valuable because of their uniqueness," he says.

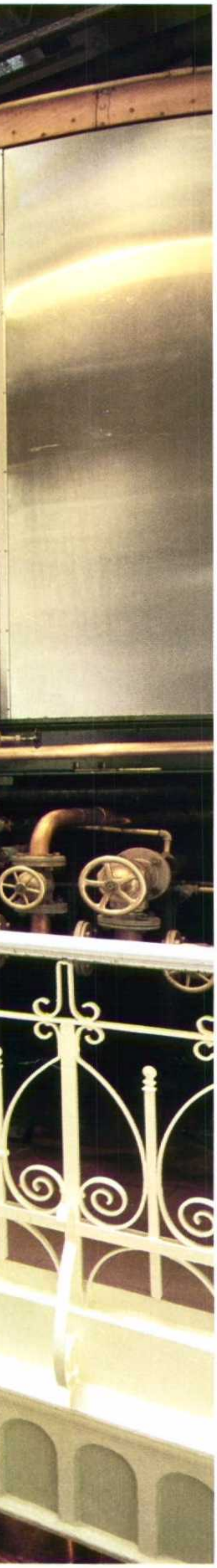
That advice has worked well for Stuart. During his years with Anheuser-Busch he has held a variety of positions and could list many accomplishments. One that he is very proud of is the great increase in credibility and professionalism of the human resources function under his leadership.

"We have become very useful to the company," he says. "I think we have successfully educated people within the organization about the important role that human resources management has on the bottom line. We are more people-oriented than ever before. We realize that the employees run the company. We set policy, but the employees carry it out. So you must have respect for and confidence in them."

Although Stuart has wandered far afield from the profession that originally intrigued him—a trial lawyer—he has no regrets.

"I enjoy working for a company where the bottom line does not determine quality, but vice versa. And while there are many people I admire and look up to, I wouldn't trade places with any of them. I believe everyone has a unique contribution to make, and I like making mine at Anheuser-Busch."


GRANT
The "wort" is sent from the straining tank to the brew kettle thru this grant where samples are drawn off.



Beer and Beer-Related Operations

Anheuser-Busch, Inc.

(Beer operations)

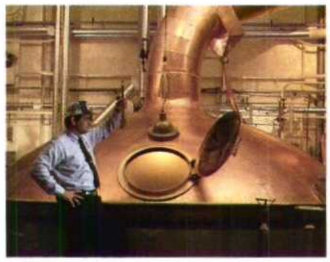
Anheuser-Busch, Inc., which began operations in 1852 as the Bavarian Brewery, ranks as the world's largest brewer and has held the position of industry leader in the U.S. since 1957. Four out of every 10 beers sold in the U.S. is an Anheuser-Busch product.

The company had an excellent year in 1987. Anheuser-Busch, Inc. established another all-time industry record with sales of 76.1 million barrels, an increase of 5.2% over 1986 sales of 72.3 million barrels. Anheuser-Busch, Inc. now has a record lead of 36 million barrels over its nearest competitor.

Anheuser-Busch, Inc. increased its market share in 1987 with sales volume representing approximately 39.9% of total brewing industry sales (including imports) as estimated by the Beer Institute, compared with 38% the previous year.

Gross sales of the company's brewing operations rose to $6.77 billion, a 6.1% increase over 1986 gross sales of $6.39 billion. Gross sales included federal and state beer excise taxes of $760 million in 1987 compared with $723 million in 1986.

The foundation of the company's past success and future growth is based on product quality, a comprehensive marketing effort, a solid wholesaler distribution system, and the most dedicated, professional employees in the industry.



While most competitors are increasingly forced to rely on price as their primary selling tool, Anheuser-Busch continues to emphasize the quality and value of each of its beer brands, using a traditional brewing process. At the same time, modern technology is employed to ensure the quality and consistency of the company's products.

Anheuser-Busch remains firmly committed to quality, which it believes has been the fundamental, irreplaceable ingredient in its successful performance for more than 100 years.

The heritage and tradition of Anheuser-Busch is reflected in the St. Louis brew house. Built in the early 1890s, the building is a Registered National Historic Landmark. Anheuser-Busch's traditional brewing process is strictly maintained, but modern technology and a rigorous program of quality assurance guarantee that each Anheuser-Busch beer has its own great taste glass after glass, year after year.

Productivity improvement efforts are one way that the company controls costs while maintaining quality. By finding new and better ways to eliminate waste and increase efficiencies, the company is able to better use its resources and thereby increase volume at less cost. The substantial efforts of Anheuser-Busch employees during the last eight years, together with an aggressive capital investment program, have generated total expense reductions of $410 million.

Efforts are ongoing to improve efficiencies and reduce equipment downtime. In addition, expenses are reviewed continually. However, product quality is always the number one priority, and no measures are taken which could in any way negatively affect quality.

In addition, capital projects are being aggressively pursued throughout the beer company to further reduce costs. Finally, the employee suggestion program has been very successful in identifying new cost reduction opportunities in the breweries. In 1987, approximately 4,000 suggestions were received, an employee participation rate of more than 35%.

Products/Marketing Strategy

The hallmarks of beer as a consumer beverage are quality, taste, drinkability, convenience, moderation and thirst-quenching properties, all of which fit into the increasingly active, health-conscious and family-oriented life-style of the American consumer.

In terms of sheer sales volume, beer is more than 5-1/2 times larger than wine and distilled spirits combined. More than 80 million Americans drink beer.

The number of beer drinkers is also increasing. Additional volume is coming from such non-traditional beer-consumer groups as women, while more traditional key consumer ethnic groups such as Hispanics, blacks and Asians are also consuming more beer.

Finally, an improving economy has aided beer sales. In recent years, the number of employed people in America has risen and total disposable income has increased, helping the overall beer industry outlook.

Anheuser-Busch, Inc.'s family of nine naturally brewed beers and three high-quality imports are positioned to take advantage of these factors.

Budweiser—Brewed and sold since 1876, Budweiser is the company's principal product and the largest selling beer in the world. More than half of the premium-priced beer sold in the U.S. is Budweiser.

Michelob—Introduced in 1896, Michelob continues to dominate the super-premium category. Since "The Night Belongs to Michelob" ad campaign was introduced last year, the brand has been showing signs of improved performance.

Busch—Busch expanded in 1987 to Utah and Wyoming. It is now available in 39 states. The highly successful western theme continues to be used in Busch's creative executions, urging consumers to "Head for the Mountains."

Bud Light—Bud Light turned in an exceptional performance in 1987, recording double-digit volume growth, and is now Anheuser-Busch's second-largest selling brand.

Michelob Light—A super-premium light beer, Michelob Light is also showing good growth, aided by its dynamic new "Light up the Night" ad campaign. It continues to play a significant role in the light beer segment.

Natural Light—Natural Light, our sub-premium-priced light beer, also experienced double-digit growth in 1987. The brand continued its humorous, food-related ad campaign.

Michelob Classic Dark—Rounding out the Michelob family is Michelob Classic Dark, the ultimate in dark beers. It is available in draft and bottles nationwide.

LA—Anheuser-Busch, Inc.'s reduced alcohol beer was introduced in 1984. The brand provides an alternative to consumers who choose to be more moderate in their consumption of beer and other alcoholic beverages.

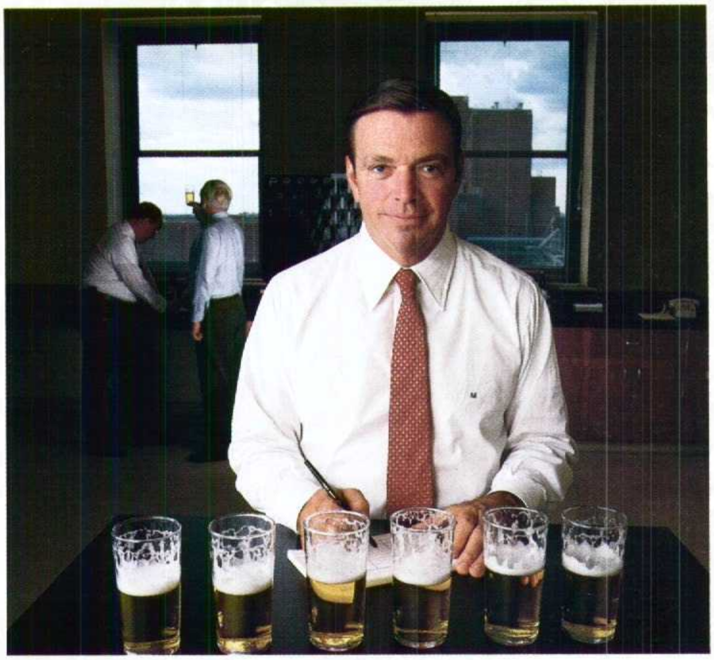
King Cobra—A naturally brewed malt liquor, King Cobra is available in selected areas of the country.

Carlsberg—The largest-selling brand of beer in Denmark, Carlsberg is brewed by United Breweries, Ltd. and distributed in the U.S. through the Anheuser-Busch wholesaler network. It is currently available in 32 states.

Carlsberg Light—A light version of Carlsberg, Carlsberg Light offers European taste with reduced calories.

Elephant Malt Liquor—Also brewed by United Breweries, Ltd., Elephant Malt Liquor is distributed by Anheuser-Busch in 29 states.

In addition to the regular marketing efforts the company makes to support its brands, Anheuser-Busch, Inc. is also a major sponsor of the U.S. Olympic Team through the 1988 Summer Olympics. The company also had sponsorship rights for the 1988 Winter Olympics in Calgary, Canada.



August A. Busch III

Chairman of the Board and President

Years with Anheuser-Busch: *30*
Education: *Brewmaster, Siebel Institute of Technology; 2 years University of Arizona, Marketing and Business Administration*
Job Responsibilities: *Chairman of the Board and President, Anheuser-Busch Companies; President and Chief Executive Officer, Anheuser-Busch, Inc.*

"If you don't have quality, you don't have anything."

Those are strong words. But they are August Busch's creed. And when he looks at you with those intense eyes, and tells you that nothing—nothing—comes before quality, you believe him.

Described by colleagues as totally committed, aggressive, intense, demanding, fair and thorough, he is a man whose very presence invokes authority and swift decisiveness.

Intense in everything he does, August is described by some as a workaholic. But he isn't sure that description is accurate.

"Is it being a workaholic to enjoy the challenges of work, to want to accomplish something each and every day?" he asks. "I don't think so. I think that's an inner drive, a determination, that makes you want to feel you've done something worthwhile every day of your life."

August is quick to credit his father's influence on his character.

"I learned a great deal about intensity, energy level and the importance of using common sense from him," he says. "My mother was a great influence as well. She taught all of her children to be absolutely honest and truthful. And that lesson has served me well through the years."

Perhaps it's not surprising, then, that August lists honesty, integrity and high ethical standards among the qualities he most admires in friends and co-workers.

He is also vitally involved in his work. There is very little at Anheuser-Busch that escapes August's scrutiny, from filler lines to Policy Committee activities. He tastes beer samples daily and has a remarkable memory for facts and figures.

His attention to quality has been evident since he started his first job with the company, cleaning beer tanks. As he worked his way through most brewery departments, his commitment to quality intensified. Today it is unmovable. Quality is the one subject on which he permits no discussion.

"Quality is what got us where we are, and it's what will keep us here," he says with conviction.

Expansion/Modernization

Anheuser-Busch continued its strong capacity expansion and modernization program in 1987. Construction of the company's 12th brewery in Fort Collins, Colo., continued on schedule and the brewery will begin production in early 1988. Total company capacity was approximately 78 million barrels in 1987.

A site near Cartersville, Ga., has been chosen as the location for the company's 13th brewery. A decision on whether to build this facility will be made in 1988 or early 1989.

A 3.7-million-barrel expansion of the Newark brewery will be completed in 1990, and capacity at the Tampa, Fla., brewery will be expanded by 800,000 barrels to 2.7 million. Other possible plant expansions are under review. Modernizations at the St. Louis packaging plant and the Newark and Columbus breweries are also nearing completion. An extensive modernization of the St. Louis brewing facility has recently been initiated as well. This modernization program will reduce costs through improved efficiencies and, in some cases, add brewing and packaging capacity.

Distribution

Anheuser-Busch, Inc. wholesalers and company-owned wholesale operations together provide the industry's most effective distribution system, setting standards of excellence and leadership for the industry with sophisticated and innovative operations and programs.

Approximately 950 independent wholesalerships distribute Anheuser-Busch, Inc. beers throughout the U.S. Anheuser-Busch, Inc. strongly supports the traditional three-tiered distribution system, which it believes is in the best interest of consumers, retailers, distributors and manufacturers.

Communication is a key strength of Anheuser-Busch, Inc.'s exceptionally strong distribution system. A vital part of the communications effort is the Anheuser-Busch Wholesaler Advisory Panel, which is comprised of a cross-section of wholesalers who meet regularly with top management. The panel offers wholesalers and company management the opportunity to openly communicate about—and act upon—key company and industry issues. A statement made by the Panel in 1987 sums up the relationship between Anheuser-Busch and its wholesalers: Other than the quality of our products, the most important thing we have is each other.

The Wholesale Operations Division of Anheuser-Busch, Inc. operates 10 company-owned distributorships located in Boston, Newark, Louisville, Chicago, New Orleans, Tulsa, Denver and, in California, Sylmar, Riverside and Stockton. It is often used as a "testing" ground for programs that may be used by the company's independent distributors. In 1987 the division once again contributed significantly to the volume and profits of the company.

The Anheuser-Busch Investment Capital Corporation, formed in 1984 to share equity positions with qualified partners in Anheuser-Busch, Inc. distributorships, is currently invested in eight wholesalerships. These investments provide the operating general partners the opportunity to function as independent wholesalers while increasing their equities and building toward total ownership. By providing needed capital for qualified candidates, the Anheuser-Busch Investment Capital Corporation will continue to play a prominent role in strengthening the brewer-wholesaler team.

Busch Agricultural Resources, Inc.
(Barley malt production, rice milling, hops farming, land application and other agricultural operations)

In 1987, this subsidiary continued in its primary role of supporting Anheuser-Busch, Inc. in the areas of raw materials acquisition and land application.

Its two plants, in Moorhead, Minn., and Manitowoc, Wisc., supply 30% of Anheuser-Busch, Inc.'s malt needs. Its two rice mills, in Jonesboro, Ark., and Woodland, Calif., are capable of producing 50% of the company's brewing rice requirements.

Busch Agricultural also operates four barley elevators in the Midwest and two in the western U.S. These operations allow Busch Agricultural to exercise significantly increased control over raw material quality and variety purity.

The subsidiary continued its involvement in the barley seed business at facilities in Powell, Wyo.; Idaho Falls, Idaho; and Moorhead, Minn. These facilities support the marketing of new varieties of barley that have been developed at the subsidiary's research center near Fort Collins, Colo. The seeds of these new varieties are marketed under the NutriGold trademark to growers who produce malting barley for beer production.

Busch Agricultural also operates Nutri-Turf, Inc., which manages land application operations to significantly reduce brewery and snack plants' sewer expense. In addition to operations at Robersonville, N.C., and Jacksonville, Fla., Nutri-Turf completed work in 1987 on land application sites in Fayetteville, Tenn., and Fort Collins, Colo.

Jerry E. Ritter
Vice President and Group Executive

Years with Anheuser-Busch: *19*
Education: *B.S. (business administration and accounting), University of Missouri, Columbia*
Job Responsibilities: *Treasury, Accounting, Tax, Management Systems, Minority Community Relations, Public Relations, Corporate Administration, Promotional Products Group; oversees Human Resources and Materials Acquisition*

Jerry Ritter, who shares the corporate office with August Busch, is described by colleagues as meticulous, thorough and dignified. And the aptness of those words is evident during this interview. He speaks with precision and confidence.

He looks at the first question, the one that asks him to identify Anheuser-Busch's greatest strength, and smiles.

"I'm sure you've gotten the same answer from everyone," he says. "Quality. It has always been and will always be our primary guiding principle. It's instilled in employees from the first day they come to work here. We expect two basic things of our people—that they perform at the highest levels and that they have respect for our quality image."

Those two things—an insistence on excellent performance and quality—are part of the reasons for Anheuser-Busch's success, says Jerry. The thoroughness of the decision-making process is another.

Jerry, like most of the members of the Policy Committee, didn't really expect to rise as high as he has in the company. When he joined Anheuser-Busch as controller 19 years ago, he never suspected that he would someday occupy the office next to August Busch III and share the corporate office with the CEO.

"You know, I joined Anheuser-Busch because I liked the company's philosophies, its unwillingness to compromise its integrity and its belief in quality and excellence. I thought I could be happy working for a company like that. And I was right."

In 1987, with the establishment of Elk Mountain Hop Farms in northern Idaho, Busch Agricultural entered into the farming and processing of hops for use by Anheuser-Busch, Inc. in brewing. The farms had 275 acres of hops in production in 1987 and established an additional 585 acres during the year.

The late 1986 acquisition of the assets of Gourmet House, Inc., a Minnesota-based wild rice company, along with the existing package rice capability at the Jonesboro mill and at Pacific International Rice Mills, Inc. (PIRMI) in Woodland, allow Busch Agricultural to assess the financial attractiveness of sales to consumers and industrial customers other than Anheuser-Busch, Inc.

Container Recovery Corporation

(Recycling)

For the third consecutive year, Container Recovery Corporation was the nation's largest aluminum recycler. In 1987, it recycled more than 235 million pounds of aluminum, or more than six billion cans. The subsidiary was formed in 1978 to provide a positive alternative to mandatory deposits and to help ensure a stable supply of aluminum.

In 1987, the company opened a new collection and processing facility in Union City, Calif., in response to the California Beverage Container Recycling Act. The plant, which serves the northern California market, is a multi-commodity recycling center, handling glass, paper, plastic and aluminum.

Container Recovery operates three other processing facilities, in Marion, Ohio; Nashua, N.H.; and Cocoa, Fla. More than 500 Anheuser-Busch, Inc. wholesalers in 48 states and the District of Columbia are involved in operating Container Recovery recycling centers.

In addition to processing aluminum cans, the Marion and Nashua facilities crush non-returnable glass bottles and sort, inspect, package and ship returnable bottles to the Anheuser-Busch breweries in Columbus, Ohio, and Merrimack, N.H.

Metal Container Corporation

(Can and lid manufacturing)

Metal Container Corporation, the fastest growing metal beverage container manufacturer in the United States, had an excellent year in 1987. The subsidiary operates can and/or lid plants in Arnold, Mo.; Columbus, Ohio; Carson and Riverside, Calif.; Oklahoma City, Okla.; and Gainesville and Jacksonville, Fla. In 1987 Metal Container produced nearly six billion cans and more than eight billion lids.

In addition to supplying approximately one-third of Anheuser-Busch, Inc.'s container requirements, Metal Container is rapidly expanding into the soft drink container market. In 1987 the subsidiary sold about one-third of its production to the soft drink industry. Metal Container has established long-term relationships with several significant soft drink bottlers. Its customers include Wis-Pak, a major Pepsi-Cola canning cooperative headquartered in Watertown, Wisc.; Pepsi Bottling Group, a subsidiary of Pepsico, Inc.; and Penn-Chesapeake Associates, a multi-location purchasing cooperative in the Mid-Atlantic area.

A new can plant in Windsor, Colo., became fully operational in early 1988. It will supply aluminum beer cans to Anheuser-Busch's new Fort Collins, Colo., brewery. This facility will produce more than a billion cans per year.

Two other new can plants are currently under construction. The Newburgh, N.Y., plant is scheduled to begin operations in the second half of 1988 and will have a capacity of more than two billion cans per year. A can plant is also scheduled to be constructed in Wisconsin. It will begin operating in the second half of 1989 and will have an annual capacity of more than one billion cans.

In addition, Metal Container's new lid facility in Riverside, Calif., began production in late 1987. It will produce nearly four billion lids per year for Metal Container's beer and soft drink customers. The Oklahoma City lid plant is also being expanded.

In 1987, modernizations were completed at the Columbus and Jacksonville can plants, and a new high-speed can line was added to the Carson plant.

Barry H. Beracha

Vice President and Group Executive

Years with Anheuser-Busch: *20*
Education: *B.S. (chemical engineering), Pratt Institute; M.B.A. (operations research and industrial management), Wharton Graduate School*
Job Responsibilities: *Metal Container Corporation, Container Recovery Corporation, Corporate Engineering, Metals Planning, Environmental Engineering and International Label Company*

"I've always thought it was important to have a positive outlook, to believe that things can be changed and improved."

Barry Beracha is living proof of the success that can follow such an attitude, both personally and professionally.

Growing up in a lower-middle-class family in the Bronx and later in the crowded suburbia of Long Island, opportunities might have seem limited. His father worked for the post office; his mother was a seamstress. His two brothers did not go to college. But Barry, always ambitious, highly focused, and with the quick movements and high energy of a man with many goals and not enough time, resolved to find something more in life.

And he did. Armed with a degree in chemical engineering and an M.B.A, he took a job with Anheuser-Busch. While Barry could list many accomplishments during his years with the company, he points to the success of Metal Container Corporation as one of the things of which he is most proud.

"That subsidiary didn't even exist 15 years ago," he says. "Today it is one of the leaders in the beverage container industry and is a major force in the packaging industry. And we're broadening our scope to serve new customers."

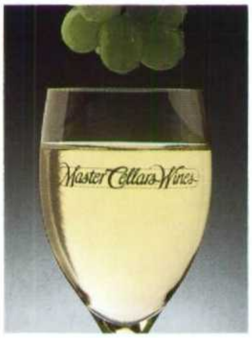
He is equally proud of the progress made by Corporate and Environmental Engineering under his leadership. A new level of professionalism is apparent, resulting in enhanced efficiencies, new technology and improved capital productivity for Anheuser-Busch. He also points out that Container Recovery Corporation became the number one recycler in the U.S. in 1986, a remarkable achievement for a relatively young company.

"You know, initially I only planned to stay at Anheuser-Busch two to five years," he says. "But I just had my 20-year anniversary. There was never any reason to leave. I found everything I wanted in a job right here. I work with great people and the challenges just keep coming."

Anheuser Busch Beverage Group, Inc.
(Non-beer beverages)

The Anheuser-Busch Beverage Group, Inc., has restructured. The declining rate of growth in the wine cooler market resulted in our discontinuance of Dewey Stevens. This in turn reduced the Beverage Group volume below critical mass and led to the decision to divest the à Santé and Saratoga Sparkling Water brands, Zeltzer Seltzer Natural Soda, and their related production facilities.

The company will continue to market Master Cellars keg wines since they provide full service draft capability to our wholesalers and retailers. Two other imported products, Anheuser & Fehrs German Wines and Ballygowan Irish Spring Mineral Water, will continue to be sold.



Anheuser-Busch International, Inc.
(International beer licensing and marketing)

Anheuser-Busch International explores and develops beer markets outside the United States. The world beer market, more than 3.5 times as large as the U.S. market, offers excellent opportunities for sales growth and profits.

Since the subsidiary was formed in 1981, Budweiser has been license-brewed in seven countries and exported to more than 30 others. Additional expansions are planned.

In 1987 a licensed-brewing agreement was signed with Oriental Brewery Co. Ltd., of Seoul, South Korea. Budweiser is now produced and distributed throughout that country and the brand will be well established before the 1988 Summer Olympics.

Budweiser is also brewed, marketed and distributed in Ireland under a licensed-brewing agreement between Anheuser-Busch and Guinness Ireland, Limited.

In addition, Anheuser-Busch International has a licensed-brewing agreement with United Breweries Ltd. in Denmark, and local production of Budweiser began in 1987.

In Canada, Budweiser continues to be brewed and distributed by Labatt Brewing Company, Limited, the country's largest brewer. Labatt also brews two other Anheuser-Busch brands, Michelob and Bud Light. Canadian-brewed Bud Light is available in Quebec and Alberta and is being test marketed in Ontario. Additional test markets are being considered. Canadian-brewed Michelob has been introduced in Quebec, and Labatt continues to import the brand to other provinces in Canada.

Watney Mann & Truman Brewers, Ltd., Anheuser-Busch's licensed partner in the United Kingdom, continued to expand its distribution of Budweiser. The rollout of Budweiser draft is under way, and Budweiser in cans is now available throughout the U.K.

Under agreements with several independent distributors in the United Kingdom, Michelob is imported and distributed in selected on- and off-premise accounts.

Locally brewed Budweiser continued its strong performance in Japan in 1987 and now has a more than 50% share of the international brands category. While beer industry sales in Japan increased by 6% over 1986, Budweiser sales volume was up more than 20%. Budweiser is Japan's fifth largest selling beer.

Budweiser also continues to be brewed by Tempo Beer Industries, Ltd. (formerly National Brewery Limited) in Israel. The brewery's name was changed when National Brewery Limited was acquired by Tempo Industries, Ltd.

Anheuser-Busch's commitment to quality is evident in all of its international brewing operations. No compromises are made in the company's traditional brewing methods. Anheuser-Busch brewmasters travel the world continually, tasting and testing locally brewed product to make sure that it meets the company's rigid quality and taste standards.

Export Markets

In addition to licensed brewing, Anheuser-Busch continues to increase its worldwide presence by exporting its brands. During 1987 Budweiser was introduced in Taiwan and a number of other foreign markets.

John H. Purnell

Senior Vice President—Corporate Planning and Development

Years with Anheuser-Busch: *22*
Education: *B.S. (chemical engineering), Johns Hopkins University; M.B.A. "with distinction" (marketing and management science), Wharton Graduate School*
Job Responsibilities: *Long-range strategic planning, including overseeing five-year financial planning process, diversification and capital structure planning, and assisting the divisions in their planning; chairman of the board, Anheuser-Busch International, Inc.*

John "Jack" Purnell, deliberate and soft-spoken, is described by colleagues as persistent, intelligent and conceptual. The son of an international businessman, Jack spent six of his most formative years in Beirut, Lebanon, where he learned to speak Arabic and write French.

A man with such a diverse background is not easily impressed. But one of the things that does impress Jack is the spirit of Anheuser-Busch employees.

"They are universally proud of the company's products, leadership position and heritage, and with that pride comes an exceptional degree of dedication to the company," he says. "It's an incredible asset that, along with the company's uncompromising belief in quality and the extraordinary stability of Anheuser-Busch management, accounts for much of the company's success."

Jack has come a long way since the day he interviewed with August Busch 22 years ago. But he still clearly remembers that encounter.

"It literally changed my life," he says. "Anheuser-Busch was on the threshold of a new era, and August painted a picture of an exciting adventure, of new frontiers to be conquered. It was an electrifying meeting. After that I cancelled all my other interviews and came here. And it's been every bit as exciting as I had hoped."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VERY THIN
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NET WT. 16 OZ. (1 LB.) 454 GRAMS
EARTHGRAINS
VERY THIN
100% WHOLE WHEAT
Colonial
NEW
Light
WHITE BREAD
40 CALORIES per slice
Light
WHITE
40 CALORIES per slice

Food Products Operations

Campbell Taggart, Inc.

(Bakery products, refrigerated and frozen foods, specialty stores)

Campbell Taggart is a highly diversified, Dallas-based food products company with operations in about 35% of the United States and in various international markets.

Bakery Operations

Campbell Taggart's bakery division, which accounts for 66% of the company's sales, saw a number of new product introductions in 1987 which contributed to an overall volume gain.

Rainbo and Colonial light white and wheat breads were introduced to 35 of the 45 bakeries, providing Campbell Taggart with a strong entry in the expanding low-calorie segment of the bakery industry. System-wide rollout of this product is scheduled for completion in early 1988.

Earth Grains launched several new items to broaden and strengthen its base. Consumers responded well to three new varieties of sandwich buns, Earth Grains' first entry into the premium segment of the bun category. New regular sliced white and wheat breads helped reinforce sales in the one-pound-pan category, and the launch of a superior quality raisin bread at 29 bakeries improved Earth Grains' position in the specialty category. New Earth Grains dinner rolls were launched in time for the 1987 holiday season.

The introduction of the Break Cake product line, which includes more than 60 items such as cupcakes, doughnuts, fruit pies and honey buns, will be completed in all Campbell Taggart markets in 1988.

Existing Campbell Taggart products performed well in 1987. The expansion of Grant's Farm bread, available in five varieties, continued, with introductions in Kansas City, Mo.; Aurora and Rockford, Ill.; and Oklahoma City and Tulsa, Okla. The product is available in 22 markets. Expansion to additional markets is planned in 1988.

Campbell Taggart, a diversified food products company with approximately 20,000 employees in the U.S., Spain and France, produces a wide variety of products. Its operating subsidiaries are principally involved in the production and distribution of baked goods, refrigerated dough products, frozen foods, refrigerated salad dressing, snack dips and toppings to retail and food service customers.

The Family Recipes line of bread, which was introduced in 1985, is now available in all Campbell Taggart markets in four varieties—Honey-Buttered Split Top White and Split Top Wheat, Wheat and Honey Grain. The breads combine the soft, smooth texture of Colonial, Rainbo and Kilpatrick's breads with natural grain goodness.

Sandwich croissants and International Hearth bake and serve French Bread are available in most Campbell Taggart markets, and both products continue to enjoy strong consumer acceptance. Specialty rolls, sandwich buns and other products continue to be sold to commercial customers such as Burger King and Arby's.

The company supports all of its consumer products with advertising and promotion programs. For example, after a two-year test, the IronKids fitness program for children age 7-14 was expanded to the entire system to support Colonial, Rainbo and Kilpatrick's enriched white bread and buns. In addition to eight local triathlons for children, the program consists of the Rainbo IronKids Health and Fitness Program, which was mailed to 45,000 physical education teachers across the Campbell Taggart system. The educational kit provides five units of study aimed at establishing sound lifetime fitness and nutrition patterns for students. In addition, the Rainbo IronKids Club currently has 5,000 members in eight markets. The club will be expanded to the entire system in 1988.

In 1988, seven markets—Dallas, Houston, Atlanta, Oklahoma City, Denver, Sacramento and Phoenix—will host Colonial/Rainbo IronKids triathlons. In-store promotions supported with TV and radio advertising will continue to link Campbell Taggart products with fun, fitness and well-being for America's youth.

Refrigerated Products

Through its Merico subsidiary, Campbell Taggart is the largest manufacturer of private label refrigerated dough products in the U.S., with a 34% share of the refrigerated dough market.

In 1987 Merico introduced pizza crust to its Hot 'N Fresh line of specialty private label dough products. This line also includes a regular bread loaf, bread sticks and a French loaf.

In its food service operation, Merico introduced a line of frozen muffin batter to complement its Classic line and Gourmet line of frozen cookie doughs that were introduced in 1986. Merico Classic muffin batters are available in 10 different varieties. Packaged in 18-pound tubs, the cookie doughs and muffin batters are used primarily by restaurants and in-store bakeries.

Merico also makes a variety of salad dressings, dips and toppings, as well as creamers and imitation sour cream for food service and retail customers. In 1987, Merico Slender Classics reduced-calorie salad dressings were introduced in order to provide food service customers with a line of reduced-calorie dressings for diet-conscious patrons.

Frozen Foods

In 1987, Campbell Taggart changed the name of its frozen food subsidiary from El Charrito to Eagle Crest Foods in order to better communi-

cate the diversity of its broadening array of frozen food products. El Charrito will continue as the brand name for Eagle Crest's frozen Mexican food line.

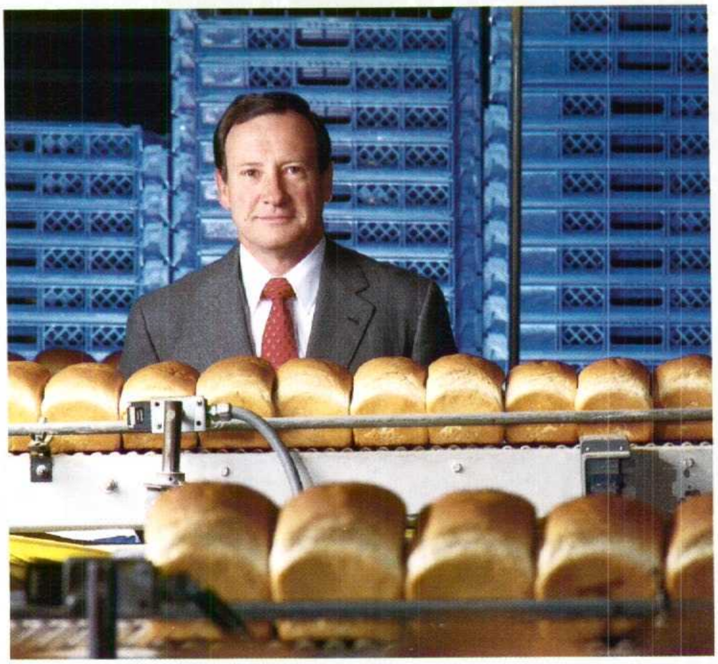
El Charrito's sales grew by approximately 20% in 1987 with its successful expansion into the San Francisco, Los Angeles and San Diego markets. In late 1987 El Charrito introduced its new El Charrito Light line into five southwestern markets. The new El Charrito Light entrees offer the consumer top-quality authentic Mexican dishes with the added benefit of 25-33% fewer calories. El Charrito Light entrees are available in six varieties and will be expanded to additional markets in 1988.

International

Campbell Taggart's international operations experienced another year of record growth in 1987. The company's Spanish subsidiary, Bimbo, S.A., maintained its position as the market leader in sales of high quality, premium bakery products.

Much of Bimbo's success has been a result of its modernization program which has increased productivity in its bakery operations and in its route distribution system. Distribution of Eagle Snacks, which began last year, was expanded throughout Spain in 1987. Eagle Snacks will also be test marketed in Paris by Le Pain Turner, Campbell Taggart's French baking subsidiary.

Europate, S.A., which manufactures frozen and refrigerated dough products in France, expanded its sales and distribution and enjoyed another successful year.



Patrick T. Stokes

Vice President and Group Executive

Years with Anheuser-Busch: *19*
Education: *B.S. (math), Boston College; M.B.A. (finance), Columbia University*
Job Responsibilities: *Food Products Group (Campbell Taggart/Eagle Snacks)*

When Pat Stokes graduated with his M.B.A. in 1966, he wasn't exactly sure what he wanted to do for the rest of his life. But he knew what he didn't want to do.

"I knew I didn't want a job—no matter how lucrative—that I wouldn't enjoy doing," he says. "I never wanted to have the kind of job where I hated to see Monday morning come and where Friday afternoon was the thing I most looked forward to every week. I simply wanted a job in which I could become highly involved and in which I felt I could personally make a contribution."

As head of Anheuser-Busch's Food Products Group, Pat Stokes has achieved his goal. In fact, he has the best of both worlds. He has managed to achieve success and position and at the same time find satisfaction in the contribution he makes.

Pat's ability to quickly assimilate complicated information and develop plans has held him in good stead during his tenure with Anheuser-Busch. He is also one of several Policy Committee members from the "sink or swim" school.

"I've never had specialized training for any of the jobs I've had here," he says. "To some extent I've had to learn on the job. But I think that's one of the strengths of Anheuser-Busch. It recognizes abilities and it gives people a chance. A lot of talent is discovered and allowed to develop because of that."

Pat, who places a strong value on fairness and competence, is perhaps most proud of his role in recruiting and assembling a strong and capable management team in the Food Group. He is a firm believer in the maxim that those who enjoy what they're doing do a better job, and he believes that the members of management under his direction find satisfaction in being part of a cohesive team.

"They are honestly a pleasure to work with," he says. "And they are the ones who really make things happen."

Other

In 1987, seven additional Old America Stores were opened, bringing the total to 24. These stores sell imported and domestic decorating and craft merchandise and are continuing to experience tremendous growth.

Campbell Taggart's folding carton packaging division continued to produce folding cartons for sale to other Campbell Taggart divisions and outside customers.

Campbell Taggart's Herby's Foods subsidiary, which manufactured and distributed refrigerated sandwiches to convenience stores throughout the Southwest, was sold in 1987.

Eagle Snacks, Inc.

(Premium quality snack and nut items)

In 1987, Eagle Snacks continued to grow through increased penetration of the consumer market in its existing sales territories and expansion to most major markets east of the Rockies. The company's Eagle Honey Roast nut line continues to be the category leader in its market sector. A line of lightly salted nuts will be introduced nationally under the Eagle label in 1988. The snack line, led by sales of Hawaiian Kettle brand and Russet Valley brand potato chips, experienced increased market penetration as consumers continue to favor a quality difference in potato chip products.

The Cape Cod brand of hand-cooked chips continues to be the dominant potato

chip in the Boston marketing area and has achieved a significant share in other New England markets. The Cape Cod product line was also introduced to Florida and many other major East Coast markets in 1987. The Cape Cod plant, which is located in Hyannis, Mass., is open to the public year-round so that visitors can view the unique hand-chipping process. Cape Cod will test market another unique item in 1988—Cape Cod cheese-flavored popcorn, made from premium-quality white popping corn and white cheddar cheese.

The outlook for continued growth in the salted snack business is promising. Eagle will further broaden its snack line by adding a thin potato chip marketed under the name Crispy Thins and a twin pack of seasoned and unseasoned tortilla chips sold under the El Charrito label. These lines will be competitively priced and further expand the snack variety offered to consumers.

Eagle Snacks has temporarily delayed the start-up of its Visalia, Calif., snack facility. The additional time will enable the company to evaluate new product introductions and advertising programs in established markets prior to a West Coast expansion.

Eagle Snacks products are distributed in the U.S. by Anheuser-Busch beer wholesalers, Campbell Taggart bakeries and company-owned snack branches.

Busch Industrial Products Corporation

(Baker's yeast and yeast products)

In 1987, Busch Industrial Products completed its 60th year in the yeast business and it remains the leading producer and marketer of compressed yeast in the United States.

The subsidiary produces baker's yeast in St. Louis, Mo., Old Bridge, N. J. and Bakersfield, Calif. It also produces autolyzed yeast, a high protein product used by the meat industry, and a range of autolyzed yeast extracts (AYE). AYE products are primarily used as flavor enhancers in the food processing and snack food industries.

In early 1988, Busch Industrial Products began rollout of a new product, Instant Dry Yeast (IDY). IDY takes up less storage space than fresh yeast, requires no refrigeration, has a shelf life of one year and is more readily customized to specific baking applications than fresh yeast.

While our position within the baker's yeast industry is very strong, the nature of the market has changed considerably in recent years. Price competition has become intense within the industry and baker's yeast has become more of a commodity. Baker's yeast may no longer be consistent with the company's focus on businesses with strong growth potential where our quality orientation, production skills, distribution strength and marketing expertise can command superior margins.

Consequently, Anheuser-Busch has elected to investigate the divestiture of its baker's yeast business. If an acceptable selling price cannot be obtained, the company plans to remain in the yeast business and pursue significant cost-reduction opportunities, including the construction of a new Midwest plant to replace the high-cost St. Louis facility.

Raymond E. Goff

Vice President and Group Executive

Years with Anheuser-Busch: *17*
Education: *B.S. and M.S., (industrial engineering), Texas Tech University*
Job Responsibilities: *Corporate Research and Development; Materials Acquisition; Busch Agricultural Resources; Busch Industrial Products Corporation; and Busch Biotech, Inc.*

"In some ways, I think I'm an anachronism. I should have been born 200 years ago, during the days of the westward expansion."

Ray Goff's love of the West is evident in his office. Western art is much in evidence. And Ray himself fits the "Old West" image. Lean and tan, a bow hunter and fisherman who is active in conservation organizations, he looks as if he would be very much at home on horseback.

Ray, the newest member of the Policy Committee, admits that his position as one of the key decision-makers at Anheuser-Busch can still catch him by surprise.

Considering Ray's background, that's understandable. Born in the rural south, in a house without running water, Ray's world could have been narrow, the possibilities limited. Instead, he eventually found his way to Anheuser-Busch, bringing enthusiasm and high expectations with him. In fact, he admits that his original goal was far from modest—he wanted to know more about the company than anyone else.

"I've modified that slightly," he admits now with a smile. "There are so many excellent people here, all of whom are extremely knowledgeable. I've discovered that simply being able to make a contribution as a member of the team is very satisfying.

"I like to tackle new problems," he says. "And I want to do the very best I can, no matter how hard it is or how much effort it takes. I try to instill that same desire in everyone who works with me. Because with that attitude, that kind of commitment, and the caliber of people at Anheuser-Busch, there are no limits to how much we can achieve."

Diversified Operations

Busch Entertainment Corporation

(Family entertainment)

Busch Entertainment Corporation is well-positioned to take advantage of America's growing leisure-time industry. The company operates Busch Gardens "The Old Country" in Williamsburg, Va., and "The Dark Continent" in Tampa, Fla.; Adventure Island in Tampa, Fla.; and Sesame Place in Philadelphia, Pa.

Attendance at The Old Country was down slightly in 1987, dropping from 1.97 to 1.94 million. Festa Italia, a four-acre rides section featuring six ride attractions resembling an old-world Italian street carnival, opened in 1987. The new rides increase the total ride capacity by 30%. A major white-water raft ride, "Roman Rapids," will be added to the Festa Italia section in 1988.

Attendance at The Dark Continent increased in 1987, from 2.9 to 3.2 million visitors. No new rides were added in 1987, but the Dark Continent is currently hosting a pair of rare giant pandas from the People's Republic of China. The park will feature the pandas through late spring 1988.

Adventure Island, a water park adjacent to Busch Gardens in Tampa, hosted nearly 390,000 guests in 1987, down 13.5%. In 1988, a new "lazy river" attraction designed to have broad age appeal will be added.

Thrilling, high-speed rides are part of the fun at Busch Gardens in Williamsburg, Va., and Tampa, Fla. The 300-acre African-themed park in Tampa (The Dark Continent) also ranks among the top four zoos in the U.S., with more than 3,000 birds, mammals and reptiles on display. The 360-acre, 17th-century-European-styled park in Williamsburg (The Old Country) features eight authentically detailed yesteryear hamlets nestled in dense woods.

Sesame Place, Busch Entertainment's action-oriented play park for children, had a 3.5% increase in attendance during 1987. The park, which is based on the popular Sesame Street children's show, hosted 662,000 guests in 1987. In 1988, a Sesame Street area, which will replicate the well-known street from the Sesame Street television show, will be introduced. A variety of activities and entertainment will be featured in the new area.

In the fourth quarter of 1987 the company agreed to sell its majority interest in Exploration Cruise Lines. Busch Entertainment concluded that the cruise business was not an attractive diversification area for Anheuser-Busch, due in part to unfavorable industry developments.

Busch Properties, Inc.

(Real estate development)

Busch Properties' holdings include Kingsmill on the James, a 2,900-acre resort and residential community in Williamsburg, Va. In 1987 Kingsmill enjoyed record sales of single-family homesites, town houses and golf condominiums.

Construction of a 60,000-square-foot, four-level conference center continues. The center will be completed in the spring of 1988 and will contain eight meeting rooms equipped with state-of-the-art audiovisual equipment. A dining facility and cocktail lounge will overlook the James River and Kingsmill's River Golf Course.

Conference guests will be lodged in the existing golf condominiums and in condominiums overlooking the James River that are being built adjacent to the conference center. The new condominiums will add 350 bedrooms to the rental program.

The facility will also include a 23,000-square-foot sports center located near the conference center. The sports center will feature indoor and outdoor swimming pools, two racquetball courts, a fully equipped health-club, a game room and a restaurant.

The annual Anheuser-Busch Golf Classic, a regular PGA Tour event since 1977, was held on Kingsmill's River Golf Course in July.

The office market strengthened in Columbus, Ohio, resulting in an improved performance by the Busch Corporate Center located there. The Fairfield, Calif., Busch Corporate Center continued to feel a negative affect from weak industrial and electronics markets.

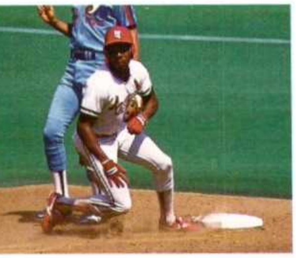
St. Louis National Baseball Club, Inc.

(Cardinal baseball)

The St. Louis Cardinals, the company's major league baseball subsidiary, had a banner season both on the field and at the box office in 1987. Despite early season injuries to key personnel, the Cardinals quickly asserted themselves in the National League's Eastern Division race, taking first place on May 22. In spite of additional injuries, the Cardinals held their first place position for the remainder of the season.

The Redbirds went on to defeat the San Francisco Giants in the National League Championship

Series, giving the Cardinals their third National League pennant in the last six seasons. St. Louis concluded the season by appearing in its 15th World Series, losing to the Minnesota Twins in the seventh game.



The Cardinals' success on the field translated into a record number of fans in the stands. St. Louis was the top-drawing club in baseball, attracting 3,072,122 fans for the 1987 season. The Cardinals topped their all-time attendance mark by more than 400,000 and became only the third team in baseball history to hit the three-million-mark in a season.

Civic Center Corporation

(St. Louis real estate)

Civic Center Corporation enjoyed a record year in 1987, with Busch Stadium benefitting from the baseball Cardinals' extraordinary performance and attendance.

During 1987, replacement of the stadium's original seats was completed along with an increase in seating capacity. Fourteen new deluxe box suites were constructed and fully leased for the 1987 baseball season. Other stadium improvements included the Cardinals' Kids Corner and expanded group party facilities.

In addition to Busch Stadium, Civic Center owns four parking garages adjacent to or near the stadium and 2-3/4 downtown city blocks presently used for parking.

W. Randolph Baker

Vice President and Group Executive

Years with Anheuser-Busch: *17*
Education: *B.S. (economics and business administration), Vanderbilt University; M.B.A. (finance), Wharton Graduate School*
Job Responsibilities: *Busch Entertainment, Busch Properties, Busch Creative Services, Corporate Promotions*

"I can't remember a time when I didn't work."

As the son of a department store owner in Madisonville, Ky., Randy Baker was expected from an early age to help at the store. And that experience proved to be an asset in his current job.

"It gave me an inside look at business from the owner/operator side," he says. "And I learned first-hand about the priority that must be placed on the consumer."

Randy has never forgotten that the consumer is the key to success. Today he and his family often spend their vacations at Busch Gardens so that he can experience the parks with his family, enjoy them through the eyes of his twin daughters and observe the interaction of employees and guests.

Through the years his responsibilities have continued to grow, and today he finds his time increasingly consumed by job demands. But he continues to push himself toward greater achievements.

"I enjoy new challenges," he says. "I've been involved with a lot of different businesses at Anheuser-Busch. Although Busch Entertainment is my primary responsibility, I take special satisfaction in the development of our high-quality resort—Kingsmill on the James—and the recent rapid growth of Busch Creative Services.

"I've always wanted to accomplish many things, but I want to accomplish them honestly and fairly—because that's the only way they have any meaning. And fortunately, Anheuser-Busch shares that philosophy."

Busch Creative Services Corporation
(Business communication)

Busch Creative Services, Anheuser-Busch's creative marketing communications subsidiary, enjoyed continued success in 1987. It significantly diversified its client base for all three of its major product lines—sales promotion, business meetings and video/film production. Busch Creative produced award-winning materials and events for Anheuser-Busch Companies and other Fortune 500 corporations.

Innervision Productions, Inc.—Busch Creative's video production and post-production subsidiary—enjoyed a good year. The company, located in St. Louis County, expanded its production capabilities with the development of programming for the rapidly growing home video market.

Optimus, Inc., the leading Chicago film and video post-production company, ended its first year as a Busch Creative subsidiary with record sales and profits. Additional capabilities were added in 1987 with the purchase of state-of-the-art computer-graphics and special effects video editing equipment.

St. Louis Refrigerator Car Company
(Transportation services)

St. Louis Refrigerator Car Company, one of Anheuser-Busch Companies' transportation subsidiaries, provides commercial repair, rebuilding, maintenance and inspection of railroad cars at three facilities in Missouri and Illinois.

Busch Mechanical Services, Inc.—a St. Louis Refrigerator Car subsidiary—operates Busch Transportation Services in Belleville, Ill., for the repair of highway trailers on a commercial basis.

Manufacturers Railway Company
(Rail switching, railcar operation, trucking and warehousing)

Manufacturers Railway Company provides terminal rail switching services to St. Louis industries. It operates a fleet of 501 insulated and cushioned railcars, which are used exclusively for transporting Anheuser-Busch, Inc. beers.

The company also operates hopper cars and boxcars, which are used both by Anheuser-Busch and other shippers.

In addition, Manufacturers Railway subsidiaries furnish trucking and warehouse services at several Anheuser-Busch brewery locations.

The subsidiary had a profitable year in 1987.

Joint Venture
International Label Company
(Metalized labels)

International Label Company is a joint venture between Illochroma International, S.A., of Brussels, Belgium, and Metal Label Company, a wholly owned subsidiary of Anheuser-Busch Companies. In 1987, International Label produced more than five billion high-quality metalized labels using "state-of-the-art" vacuum metalizing and rotogravure printing technologies.

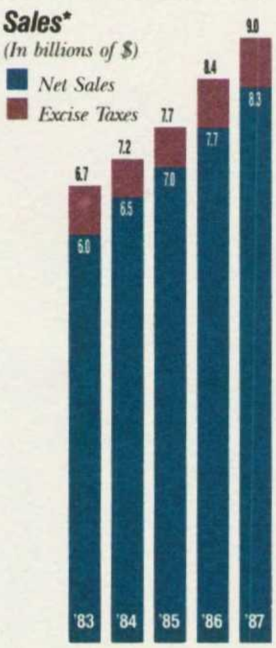
In addition to providing labels for Anheuser-Busch, International Label also services outside customers in the food, petroleum, household product and beverage industries.

ANHEUSER-BUSCH COMPANIES, INC.

1987 Financial Review

Management's Discussion and Analysis of Operations and Financial Condition

This discussion summarizes the significant factors affecting Anheuser-Busch Companies, Inc. consolidated operating results and financial condition during the three-year period ended December 31, 1987. Additional information concerning the company's consolidated operations and financial condition is contained in the Letter to Shareholders and Operations Review Sections of this report. All per share amounts reflect the September 12, 1986 two-for-one stock split and the June 14, 1985 three-for-one stock split.



*Number on top of each graph indicates gross sales

Operations

Sales

Anheuser-Busch Companies, Inc. achieved record gross sales during 1987 of $9.02 billion, a 7.3% increase over 1986 gross sales of $8.40 billion. Gross sales include federal and state excise taxes of $760.7 million in 1987 and $724.5 million in 1986. Net sales were a record $8.26 billion, an increase of $581.2 million or 7.6% over 1986 net sales of $7.68 billion. Anheuser-Busch, Inc., the company's brewing subsidiary, sold an all-time industry record of 76.1 million barrels of beer in 1987. This represents an increase of 3.8 million barrels or 5.2% over 1986 beer volume sales of 72.3 million barrels and follows volume sales gains of 4.3 million barrels in 1986 and 4.0 million barrels in 1985 The 1986 and 1985 sales volume gains represent increases of 6.3% for each year. During the same periods, revenue per barrel has increased 1.0%, 1.3% and 2.4%, respectively. During 1987, Anheuser-Busch, Inc. increased its lead over its nearest competitor from a record 34 million barrels in 1986 to a record 36 million barrels in 1987. Anheuser-Busch, Inc.'s volume sales for 1987 represent approximately 39.9% of total brewing industry sales (including imports), as estimated by the Beer Institute, compared with 38.0% in 1986 and 36.6% in 1985.

The increase in dollar sales over the three-year period reflects the aforementioned increases in beer sales volume and revenue per barrel as well as the increasing sales of the company's other subsidiaries.

Cost of Products Sold

Cost of products sold for 1987 was $5.31 billion, a 6.9% increase over the $4.97 billion reported in 1986. This increase follows a 6.3% and 5.9% increase in 1986 and 1985, respectively. These increases are principally related to higher beer sales volume and higher sales of the company's other subsidiaries. As a percent of net sales, cost of products sold has declined during the past three years from 66.8% in 1985 to 64.7% in 1986 and 64.3% in 1987. This decline in cost of products sold as a percent of net sales is primarily the result of higher beer sales volume, overall higher unit margins and the company's productivity improvement and cost reduction programs.

Marketing, Administrative and Research Expenses

Marketing, administrative and research expenses for 1987 were $1.82 billion, an increase of 6.8% over 1986. This increase compares to increases of 14.1% for 1986 and 12.0% for 1985. These expenses include approximately $500 million, $475 million and $450 million in 1987, 1986 and 1985, respectively, of selling, delivery and general operating expenses associated with the company's wholesale baking operations and its company-owned beer and snack foods wholesale operations.

Marketing, administrative and research expenses have increased over the past three years as a result of the higher level of sales activity, continuing development of new products and brands together with new advertising and marketing programs, the expansion of snack distribution, entering international markets and diversification into new products/ventures. Areas significantly affected by these factors since 1984 include

media advertising, point-of-sale material, developmental expenses associated with new advertising and marketing programs for established products as well as new products; operating expenses of company-owned beer wholesale operations; bakery selling, delivery and general expenses; payroll and related costs; business taxes; depreciation; supplies; and general operating expenses. In addition, the increase in the price of the company's common stock has resulted in higher expenses related to stock appreciation rights granted under the company's 1981 Non-Qualified Stock Option Plan.

Taxes and Payroll Costs

Taxes applicable to 1987 operations (not including the many indirect taxes included in materials and services purchased) totaled \$1.39 billion and highlight the burden of taxation on the company and the brewing industry in general. Taxes for 1987 increased \$70.6 million or 5.3% over 1986 taxes of \$1.32 billion. This increase follows increases of 12.7% in 1986 and 6.8% in 1985 and results principally from increased beer excise taxes related to higher sales volumes and higher income taxes related to the company's increased earnings level partially offset by lower statutory tax rates.

The Tax Reform Act of 1986 (enacted during the fourth quarter of 1986) includes several provisions which have impacted the company in 1986 and 1987 and will impact the company in future years. The primary provisions of the Act include repeal of the investment tax credit, the lowering of the statutory federal tax rate to 40% in 1987 and 34% in 1988 and future years, and reduction of the benefits of accelerated tax depreciation on new asset additions. Overall, the new tax legislation did not have a significant impact on the company in 1986 and had a positive effect on 1987 earnings and cash flow. The Act will have an even more positive effect in 1988 and thereafter when the lower statutory federal tax rates are fully applicable.

As more fully discussed in Note 1 to the Consolidated Financial Statements, in December 1987 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 96 (FAS 96), "Accounting for Income Taxes." As of this date, management has not yet made a decision as to when (1988 or 1989) FAS 96 will be adopted or the adoption methodology (restatement or one-time adjustment to earnings) which will be utilized.

Payroll costs during 1987 totaled \$1.78 billion, an increase of \$151.4 million or 9.3% over 1986 payroll costs of \$1.63 billion. This increase follows a 5.3% increase in payroll cost in 1986 over 1985 and an 8.4% increase in 1985 over 1984. The increase in payroll costs reflects the effect of normal increases in salary and wage rates and benefit costs.

Salaries and wages paid during 1987 totaled \$1.51 billion. Pension, life insurance and welfare benefits amounted to \$147.9 million and payroll taxes were \$119.7 million. Employment at December 31, 1987 was 41,541 compared to 41,805 at December 31, 1986.

Operating Income

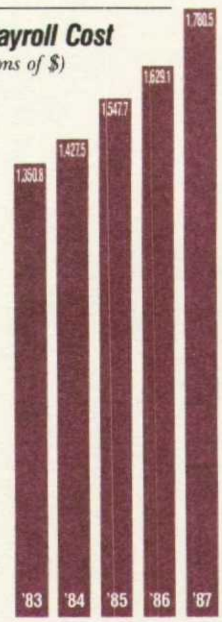
Operating income, the measure of the company's operating performance before interest costs and other expenses, was \$1.13 billion in 1987, a \$124.0 million increase or 12.3% over 1986. Operating income as a percent of net sales was 13.7% in 1987 as compared to 13.1% in 1986 and 11.9% in 1985.

Net Interest Cost/Interest Capitalized

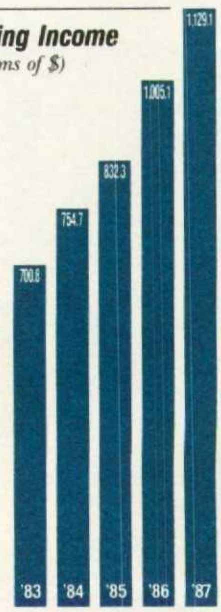
Net interest cost, or interest expense less interest income, before capitalization of interest, was \$111.6 million in 1987, an increase of \$24.3 million when compared to 1986 net interest cost of \$87.3 million. The increase in net interest cost in 1987 as compared to 1986 is due primarily to the issuance during 1986 and 1987 of long-term debt partially offset by a higher level of interest income. More specific details regarding the debt activity of the company are presented in the Liquidity and Capital Resources section of this discussion.

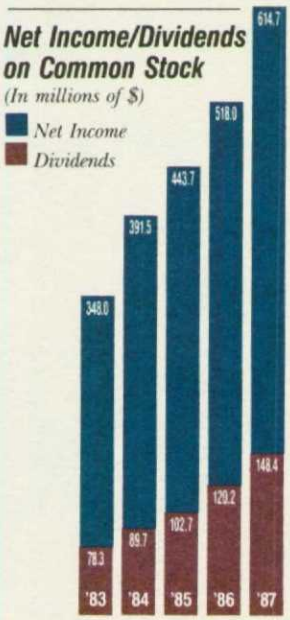
The increase of \$15.2 million in 1986 net interest cost as compared to 1985 net interest cost primarily results from a lower level of interest income earned during 1986

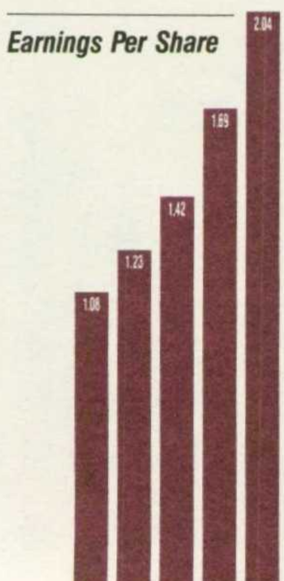
Total Payroll Cost
(In millions of \$)



Operating Income
(In millions of \$)







due to less excess cash available for investment and to the issuance during 1986 and 1985 of long-term debt (partially offset by two debt retirements).

Interest capitalized increased $7.1 million in 1987 as compared to 1986. The increase results from a higher level of qualified expenditures due primarily to capital expenditures associated with the new Fort Collins, Colo., brewery offset by a lower average capitalization rate due to the issuance of lower interest rate debt as further described in the Liquidity and Capital Resources section of this discussion. Interest capitalized decreased $4.0 million in 1986 as compared to 1985. The decrease resulted primarily from a lower average capitalization rate.

Net Income

Net income for 1987 was $614.7 million, an increase of 18.7% compared with $518.0 million for 1986. Earnings per share of common stock for 1987 were $2.04, an increase of 20.7% compared with $1.69 for 1986.

Net income for 1986 represented an increase of 16.7% over 1985 net income of $443.7 million. Earnings per share in 1986 were $1.69, an increase of 19.0% compared to the $1.42 per share earned in 1985. 1986 net income and earnings per share as compared to 1985 were favorably impacted $23 million and $.08, respectively, due to the adoption of FAS 87.

The effective tax rate was 41.8% in 1987, 45.0% in 1986 and 43.2% in 1985. The decrease in the effective tax rate in 1987 as compared to 1986 is primarily due to the lower federal statutory rates resulting from the Tax Reform Act of 1986, partially offset by the repeal of the Investment Tax Credit. The increase in the effective tax rate in 1986 as compared to 1985 is due principally to the investment tax credit related effects of the Tax Reform Act of 1986.

Financial Position

Liquidity and Capital Resources

The company's primary sources of liquidity are cash provided from operations and external debt. Information on the company's cash flow sources and uses for the past three years is set forth in the Consolidated Statement of Changes in Financial Position on page 46 of this report.

Working capital at December 31, 1987 was $82.9 million as compared to 1986 working capital of $5.0 million. The working capital ratio was 1.1 to 1 at December 31, 1987, 1 to 1 at December 31, 1986 and 1.2 to 1 at December 31, 1985.

During 1987 and 1986, the company issued the following long-term debt:

- $16 million, Medium-term Notes due 1989 to 1990 (interest rates from 8.2% to 8.5%)—issued during November and December, 1987.
- $100 million, 8-7/8% notes due September 1, 1994—issued in August, 1987.
- $150 million, 8-1/2% sinking fund debentures due 2017—issued in March, 1987.
- $75 million Australian Dollar Notes due 1990—issued in January, 1987. These notes provided the company with U.S. $49.1 million and created a U.S. $49.1 million debt at maturity. The company also entered into an agreement which results in the company incurring a floating interest rate on this debt based on the AA 30-day commercial paper index.
- $150 million, 8-5/8% sinking fund debentures due 2016—issued in November, 1986.
- $100 million, 8% Notes due 1996—issued in October, 1986.
- $100 million, 6% (effective rate 7.7% to April, 1991) Dual Currency Swiss Franc/U.S. Dollar Bonds due 1994—issued in April, 1986. These Bonds have a redemption price of $115.9 million and contain early redemption options in April, 1991.

During June, 1986, the company retired its $100 million, 11-1/4% Bonds. No debt was retired during 1987.

The company has fully hedged its foreign currency exposure for interest and principal payments on the above debt through agreements with various lending institutions.

In 1987, the company filed two shelf registrations with the Securities and Exchange Commission for $450 million of debt securities. As of December 31, 1987, $184 million remains available for issuance.

During the next five years, the company plans an extensive capital expenditure program designed to take advantage of growth opportunities for its beer, food products and other businesses. Cash flow from operations will provide the principal source of cash to support these capital investments. However, a capital expenditure program of this magnitude may require external financing from time-to-time. The nature and timing of external financing will vary depending upon the company's evaluation of existing market conditions and other economic factors.

In addition to its long-term debt financing, the company has access to the short-term capital market utilizing its bank credit agreements and commercial paper to finance short-term working capital requirements and as a bridge to permanent financing of capital investments. The company has formal bank credit agreements which provide for maximum borrowing of $500 million. These agreements, the details of which are discussed in Note 3 to the Consolidated Financial Statements, provide the company with immediate and continued sources of liquidity.

The company's ratio of total debt to total debt plus equity was 32.6%, 30.9% and 25.9% at December 31, 1987, 1986, and 1985, respectively. This percentage has been calculated by including convertible redeemable preferred stock as part of equity in 1986 and 1985 because it was convertible into common stock and traded primarily on its equity characteristics. On November 2, 1987, the company called for redemption all of the outstanding convertible redeemable preferred shares. Substantially all shareholders converted their stock into shares of common stock in lieu of receiving cash, resulting in the issuance of 27.9 million shares of common stock.

Capital Expenditures

The company has a formalized and intensive review procedure for all capital expenditures. The most important measure of acceptability of a capital project is its projected discounted cash flow return on investment.

Capital expenditures in 1987 amounted to $822.9 million as compared with $777.3 million in 1986. During the past five years, capital expenditures totaled $3.1 billion.

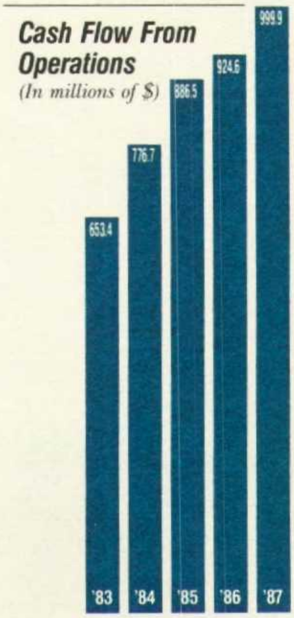
Capital expenditures for 1987 for the company's beer and beer-related operations were $630.4 million. Major expenditures by the company's brewing subsidiary include the continued construction of the Fort Collins, Colo., brewery and numerous modernization projects designed to improve productivity at all breweries. Major capital investments were made by Metal Container Corporation for the construction of a new lid plant in Riverside, Calif. and a new can plant in Newburgh, N.Y.

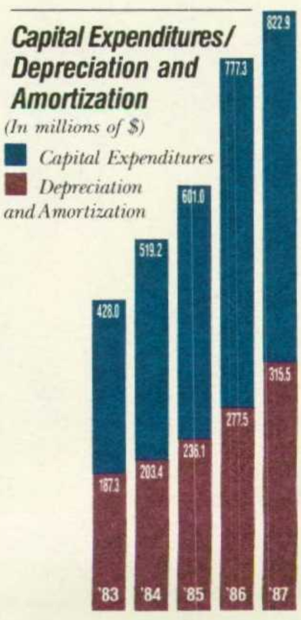
The remaining 1987 capital expenditures totaling $192.5 million were made by the company's food products and diversified operations. Major expenditures include numerous Campbell Taggart, Eagle Snacks and Busch Industrial Products modernization and productivity improvement projects as well as new Busch Entertainment attractions.

The company expects its capital expenditures in 1988 to approximate $830 million. Capital expenditures during the five year period 1988-1992 are expected to exceed $3.4 billion.

Dividends

Cash dividends paid to common shareholders were $148.4 million in 1987 and $120.2 million in 1986. Dividends on common stock are paid in the months of March, June, September and December of each year. In the second quarter of 1987, effective with the September dividend, the Board of Directors increased the quarterly dividend rate by 25%, from $.12 to $.15 per share. Annual dividends paid per common share increased 22.7% in 1987 to $.54 per share compared to $.44 per share paid in 1986. In 1987, dividends were $.12 for each of the first two quarters and $.15 for the last two quarters, as compared to $.10 for the first two quarters and $.12 for the last two quarters of 1986. All dividend per share amounts reflect the September 12, 1986 two-for-one stock split and the June 14, 1985 three-for-one stock split.





The company has paid dividends in each of the past 55 years. During that time, company stock has split on seven different occasions and stock dividends were paid three times.

In 1987, the preferred stock had a dividend rate of $3.23 per share and cash dividends were paid in the months of March, June, September and upon redemption of the preferred stock in November.

The preferred stock had a dividend rate in 1986 of $3.60 per share and cash dividends were paid in the months of March, June, September and December.

At December 31, 1987, common shareholders of record numbered 64,343 compared with 53,225 at the end of 1986.

Price Range of Common Stock

The company's common stock is listed on the New York Stock Exchange (NYSE) under the symbol "BUD". The table below summarizes the high and low sales prices on the NYSE. All sales prices reflect the September 12, 1986 two-for-one stock split.

The closing price of the company's common stock at December 31, 1987 and 1986 was $33-3/8 and $26-1/8, respectively.

Common Stock and Shareholders Equity

Shareholders equity was $2.89 billion at December 31, 1987, as compared with $2.31 billion at December 31, 1986. The increase in 1987 represents the retention of $446.2 million of earnings in the business and the effect of treasury share repurchases. The book value of each common share of stock at December 31, 1987 was $9.87 as compared to $8.61 at December 31, 1986.

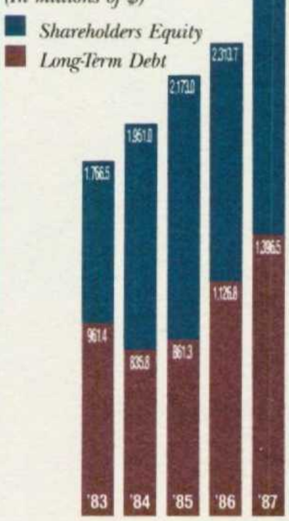
In 1987, the return on average shareholder equity was 22.4% as compared with 20.5% in 1986. This return includes the convertible preferred stock as equity for the 1986 calculation.

In 1984, the Board of Directors authorized the company to purchase up to 28.8 million shares of its common stock. During 1987 and 1986, the company purchased 3.1 million and 10.2 million shares for $100.1 million and $258.9 million, respectively. The repurchased shares were used to cover the conversion of the preferred stock issued in connection with the Campbell Taggart acquisition.

In May, 1987, the Board of Directors authorized the company to purchase up to 15 million additional shares of its common stock. During 1987, the company purchased 4.4 million shares for $134.6 million. The repurchased shares will be used to cover shares issued under employee stock purchase and savings plans and stock option plans.

	1987		1986	
Quarter	**High**	**Low**	**High**	**Low**
First	36-3/8	26-3/8	24-5/8	20
Second	36-1/8	30-1/8	28-1/4	22-5/8
Third	39-3/4	33-7/8	28-5/8	24-1/8
Fourth	38-5/8	26-1/2	27-1/2	24-3/8

Shareholders Equity/ Long-Term Debt
(In millions of $)



Inflation

Inflation has not had a significant impact on the company over the past three years nor is it expected to have a significant impact in the foreseeable future.■

Responsibility for Financial Statements

The management of Anheuser-Busch Companies, Inc. is responsible for the financial statements and other information included in this annual report. Management has selected those generally accepted accounting principles it considers appropriate to prepare the financial statements and other data contained herein.

The company maintains accounting and reporting systems, supported by an internal accounting control system, which management believes are adequate to provide reasonable assurances that assets are safeguarded against loss from unauthorized use or disposition and financial records are reliable for preparing financial statements. During 1987, the company, in conjunction with Price Waterhouse, its independent accountants, performed a comprehensive review of the adequacy of the company's internal accounting control system. Based on the comprehensive review, it is management's opinion that the company has an effective system of internal accounting control.

The report of Price Waterhouse on its examinations of the consolidated financial statements of the company appears on page 55 of this report. This report states that the examinations have been performed in accordance with generally accepted auditing standards. These standards include an evaluation of the system of internal accounting control for the purpose of establishing the scope of audit testing to enable them to form an opinion on the fairness of presentation of the financial statements.

The Audit Committee of the Board of Directors, which consists of six non-management directors, held four meetings during 1987. The functions of the committee are to recommend to the Board the selection, retention or termination of the company's independent accountants; determine through consultation with management the appropriateness of the scope of the various professional services provided by the independent accountants and consider the possible effect of the performance of such service on the independence of the accountants; review the arrangements and the proposed overall scope of the annual audit with management and the independent accountants; discuss matters of concern to the Audit Committee with the independent accountants and management relating to the annual financial statements and results of the audit; obtain from management, the independent accountants and the Director of Internal Auditing their separate opinions as to the adequacy of the company's system of internal accounting control; review with management and the independent accountants the recommendations made by the accountants with respect to changes in accounting procedures and internal accounting control; receive reports from the Business Practices Committee regarding implementation of and compliance with the company's business ethics policy and discuss with management any concerns the Audit Committee may have with regard to the company's business practices; hold regularly scheduled meetings, separately and jointly, with representatives of management, the independent accountants, and the Director of Internal Auditing, to make inquiries into and discuss their activities; and review the overall activities of the company's internal auditors.■

Consolidated Balance Sheet

Anheuser-Busch Companies, Inc., and Subsidiaries

Assets *(In millions)*

December 31,	1987	1986
Current Assets:		
Cash and marketable securities (marketable securities of $78.0 in 1987 and $13.2 in 1986 at cost, which approximates market)	$ 111.3	$ 69.4
Accounts and notes receivable, less allowance for doubtful accounts of $3.8 in 1987 and $3.4 in 1986	382.5	373.0
Inventories—		
Raw materials and supplies	305.0	294.2
Work in process	85.7	84.6
Finished goods	61.2	49.0
Total inventories	451.9	427.8
Other current assets	179.6	150.4
Total current assets	1,125.3	1,020.6
Investments And Other Assets:		
Investments in and advances to unconsolidated subsidiaries	146.6	99.7
Investment properties	13.9	16.5
Deferred charges and other non-current assets	171.3	131.6
Excess of cost over net assets of acquired businesses, net	120.4	137.8
	452.2	385.6
Plant And Equipment:		
Land	109.6	102.3
Buildings	1,829.3	1,725.9
Machinery and equipment	4,160.4	3,804.2
Construction in progress	717.3	466.9
	6,816.6	6,099.3
Less accumulated depreciation	1,902.5	1,671.7
	4,914.1	4,427.6
	$6,491.6	$5,833.8

The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 47-55 of this report.

Liabilities and Shareholders Equity *(In millions)*

December 31,	**1987**	**1986**
Current Liabilities:		
Short-term debt	$ .9	$ 34.7
Accounts payable	539.6	491.7
Accrued salaries, wages and benefits	194.8	180.0
Accrued interest payable	39.2	31.0
Due to customers for returnable containers	38.4	34.0
Accrued taxes, other than income taxes	61.5	63.7
Estimated income taxes	45.5	71.8
Other current liabilities	122.5	108.7
Total current liabilities	1,042.4	1,015.6
Long-Term Debt	1,396.5	1,126.8
Deferred Income Taxes	1,160.5	1,090.8
Convertible Redeemable Preferred Stock	—	286.9
Shareholders Equity:		
Common stock, $1.00 par value, authorized 400,000,000 shares in 1987 and 1986 and 200,000,000 shares in 1985	326.9	295.3
Capital in excess of par value	332.4	6.1
Retained earnings	2,917.6	2,472.2
Foreign currency translation adjustment	10.8	.9
	3,587.7	2,774.5
Less cost of treasury stock	695.5	460.8
	2,892.2	2,313.7
Commitments And Contingencies	—	—
	$6,491.6	$5,833.8

Consolidated Statement of Income

Anheuser-Busch Companies, Inc., and Subsidiaries

(In millions, except per share data)

Year Ended December 31,	**1987**	**1986**	**1985**
Sales	$9,019.1	$8,401.7	$7,683.3
Less federal and state excise taxes	760.7	724.5	683.0
Net sales	8,258.4	7,677.2	7,000.3
Cost of products sold	5,310.3	4,969.2	4,676.1
Gross profit	2,948.1	2,708.0	2,324.2
Marketing, administrative and research expenses	1,819.0	1,702.9	1,491.9
Operating income	1,129.1	1,005.1	832.3
Other income and expenses:			
Interest expense	(124.4)	(96.9)	(93.4)
Interest capitalized	40.3	33.2	37.2
Interest income	12.8	9.6	21.3
Other expense, net	(1.7)	(9.8)	(16.9)
Income before income taxes	1,056.1	941.2	780.5
Provision for income taxes:			
Current	360.9	291.2	130.1
Deferred	80.5	132.0	206.7
	441.4	423.2	336.8
Net Income	$ 614.7	$ 518.0	$ 443.7
Earnings Per Share	$ 2.04	$ 1.69	$ 1.42

The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 47-55 of this report.

Consolidated Statement of Changes in Shareholders Equity

Anheuser-Busch Companies, Inc., and Subsidiaries

Shareholders Equity *(In millions, except per share data)*

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Foreign Currency Translation Adjustment	Convertible Redeemable Preferred Stock
December 31, 1984	$ 48.6	$173.2	$1,829.3	$ (93.5)	$ (6.6)	$286.9
Net income			443.7			
Cash dividends:						
Common ($.36-2/3 per share)			(102.7)			
Preferred ($3.60 per share)			(27.0)			
Shares issued under stock option plans and conversion of preferred stock	.5	14.3				(.3)
Three-for-one stock split	97.5	(97.5)				
Accretion of preferred stock			(1.0)			1.0
Treasury stock acquired				(109.0)		
Treasury stock issued		.4		.6		
Foreign currency translation adjustment					2.2	
December 31, 1985	146.6	90.4	2,142.3	(201.9)	(4.4)	287.6
Net income			518.0			
Cash dividends:						
Common ($.44 per share)			(120.2)			
Preferred ($3.60 per share)			(26.9)			
Shares issued under stock option plans and conversion of preferred stock	1.3	23.1				(1.7)
Two-for-one stock split	147.4	(107.4)	(40.0)			
Accretion of preferred stock			(1.0)			1.0
Treasury stock acquired				(258.9)		
Foreign currency translation adjustment					5.3	
December 31, 1986	295.3	6.1	2,472.2	(460.8)	.9	286.9
Net income			614.7			
Cash dividends:						
Common ($.54 per share)			(148.4)			
Preferred ($3.23 per share)			(20.1)			
Shares issued under stock plans and conversion of preferred stock	3.7	69.2				(2.7)
Redemption of preferred stock	27.9	257.1				(285.0)
Accretion of preferred stock			(.8)			.8
Treasury stock acquired				(234.7)		
Foreign currency translation adjustment					9.9	
December 31, 1987	$326.9	$332.4	$2,917.6	$(695.5)	$10.8	$ —

The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 47-55 of this report.

Consolidated Statement of Changes in Financial Position

Anheuser-Busch Companies, Inc., and Subsidiaries

(In millions)

Year Ended December 31,	1987	1986	1985
Source Of Funds			
Net income	$ 614.7	$ 518.0	$ 443.7
Depreciation and amortization	315.5	277.5	236.1
Deferred income taxes	69.7	129.1	206.7
Total funds provided by current operations	999.9	924.6	886.5
Increase in long-term debt	328.5	371.2	157.9
Issuance of common stock under stock plans	70.2	26.0	15.4
Issuance of common stock for preferred stock redemption	285.0	—	—
Other, net	11.1	13.7	16.4
Total	1,694.7	1,335.5	1,076.2
Use Of Funds			
Capital expenditures	822.9	777.3	601.0
Dividends paid to stockholders	168.5	147.1	129.7
Decrease in long-term debt	58.8	107.6	136.4
Acquisition of treasury stock	234.7	258.9	109.0
Business acquisitions	24.7	158.5	38.9
Redemption of preferred stock	285.0	—	—
Investment in unconsolidated subsidiaries	22.2	8.8	13.8
Increase (decrease) in non-cash working capital*	36.0	(22.5)	(43.6)
Total	1,652.8	1,435.7	985.2
Increase (Decrease) In Cash And Marketable Securities	$ 41.9	$ (100.2)	$ 91.0
***Non-cash Working Capital**			
Increase (decrease) in non-cash current assets:			
Accounts and notes receivable	$ 9.5	$ 71.3	$ 26.1
Inventories	24.1	90.1	21.8
Other current assets	29.2	(6.1)	50.3
Decrease (increase) in current liabilities:			
Short-term debt	33.8	(34.7)	—
Accounts payable	(47.9)	(66.4)	(87.1)
Accrued salaries, wages and benefits	(14.8)	(2.9)	(26.8)
Accrued interest payable	(8.2)	(.9)	(3.3)
Due to customers for returnable containers	(4.4)	(.9)	(1.3)
Accrued taxes, other than income taxes	2.2	(6.8)	(13.3)
Estimated income taxes	26.3	(40.5)	7.7
Other current liabilities	(13.8)	(24.7)	(17.7)
Increase (Decrease) In Non-cash Working Capital	$ 36.0	$ (22.5)	$ (43.6)

The accompanying statements should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 47-55 of this report.

Notes to Consolidated Financial Statements

1 Summary of Significant Accounting Principles and Policies

This summary of significant accounting principles and policies of Anheuser-Busch Companies, Inc. and its subsidiaries is presented to assist the reader in evaluating the company's financial statements included in this report. These principles and policies conform to generally accepted accounting principles and, except for the accounting for pensions as more fully discussed in Note 6, have been consistently followed by the company.

Principles of consolidation

The consolidated financial statements include the company and all its subsidiaries. All significant intercompany transactions have been eliminated. Certain subsidiaries which are not material and which are not an integral part of the company's primary operations are included on the equity basis.

Foreign currency translation

Exchange adjustments resulting from foreign currency transactions generally are recognized in income, whereas adjustments resulting from translations of financial statements are reflected as a separate component of shareholders equity.

Excess of cost over net assets of acquired businesses

The excess of the cost over the net assets of acquired businesses is being amortized on a straight-line basis over a period of forty years. Accumulated amortization at December 31, 1987 and 1986 was $13.7 million and $10.5 million, respectively.

Inventories and production costs

Inventories are valued at the lower of cost or market. Cost is determined under the last-in, first-out method for substantially all brewing inventories and under the first-in, first-out method for substantially all food product inventories.

Plant and equipment

Plant and equipment is carried at cost and includes expenditures for new facilities and those which substantially increase the useful lives of existing plant and equipment. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is credited or charged to income.

Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets (buildings 2% to 10% and machinery and equipment 4% to 25%).

Capitalization of interest

Interest relating to the cost of acquiring certain fixed assets is capitalized. This interest is included as part of the cost of the related asset and is amortized over its estimated useful life.

Income taxes

The provision for income taxes is based on elements of income and expense as reported in the Consolidated Statement of Income. The company has elected to utilize certain provisions of federal income tax laws and regulations to reduce current taxes payable.

Deferred income taxes are recognized for the effect of differences between financial and tax reporting. Investment tax credit is included in income when assets are placed in service or when the credit can be claimed under federal income tax laws relating to qualified progress expenditures.

In December 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes," which requires the use of an asset and liability approach in accounting for the effects of income taxes that result

from activities during the current and preceding years. Adoption of the statement (which is required by 1989) can be made by either restating previously issued financial statements or by recording a one-time adjustment to earnings. Had the company adopted this statement in 1987, retained earnings would have increased and the deferred income taxes liability would have decreased by approximately $160 million at December 31, 1987.

Research and development, advertising, promotional costs and initial plant costs

Research and development, advertising, promotional costs and initial plant costs are charged against income in the year in which these costs are incurred.

Earnings per share

On September 12, 1986, 147.4 million common shares were issued in connection with a two-for-one stock split and on June 14, 1985, 97.5 million common shares were issued in connection with a three-for-one stock split. All per-share amounts included in this report reflect these stock splits.

Earnings per share of common stock are based on the average number of shares of common stock outstanding during the respective years (301.5 million in 1987, 306.6 million in 1986 and 312.6 million in 1985). As more fully described in Note 8, the company called for redemption all of the outstanding shares of its convertible redeemable preferred stock in 1987. The convertible redeemable preferred shares were common stock equivalents; accordingly, these shares were assumed to have been converted into common stock at the date of their issuance and have been included in the weighted average shares outstanding in computing earnings per share.

2 Inventory Valuation

Approximately 72% and 70% of total inventories at December 31, 1987 and 1986, respectively, are stated on the last-in, first-out (LIFO) inventory valuation method. Had average-cost (which approximates replacement cost) been used with respect to such items at December 31, 1987 and 1986, total inventories would have been $77.1 million and $85.7 million higher, respectively.

3 Credit Agreements

The company has in place a $400 million revolving credit agreement with a group of eleven domestic banks and a $100 million multicurrency revolving credit agreement with a group of five foreign banks. At December 31, 1987, the company had no outstanding borrowings under these agreements.

The $400 million revolving credit agreement was entered into in 1982 and allows for borrowing through July 1992. The agreement provides that the company may select among various interest options. As originally entered into, the interest rate options would be at prime rate, a rate based on certificate of deposit rates plus 1/2% or at LIBOR plus 3/8 of 1%. In August 1987, scheduled rate increases went into effect resulting in interest rate options of the prime rate plus 1/4%, a rate based on certificate of deposit rates plus 5/8% or at LIBOR plus 1/2 of 1%. The company has entered into discussions concerning the possible extension and amendment of this agreement.

The multicurrency revolving credit agreement was entered into in 1986, and permits the company to borrow in United States dollars or in other currencies, on a revolving credit basis, through June 1993. At the election of the company, interest rates would be at LIBOR plus 3/8%, at a rate based on certificate of deposit rates plus 1/2% or at the prime rate.

Fees under these agreements amounted to $1.2 million in 1987 and 1986 and $1.1 million in 1985.

4 Long-Term Debt

Long-term debt at December 31 consists of the following (in millions):

	1987	1986
Medium-term Notes Due 1989 to 1990 (interest from 8.23% to 8.54%)	$ 16.0	$ —
14% Australian Dollar Notes Due February 4, 1990 (interest a function of the AA 30-day commercial paper index)	49.1	—
6% Dual Currency Swiss Franc Bonds Due 1991/1994 (effective rate—7.7% to 1991)	103.5	101.6
15-3/8% Notes Due 1991	50.0	50.0
11-1/8% Notes Due 1993	100.0	100.0
8-7/8% Notes Due September 1, 1994	100.0	—
8.0% Dual Currency Japanese Yen/U.S. Dollar Notes Due 1995 (effective rate—9.3%)	50.4	49.7
8% Notes Due October 1, 1996	100.0	100.0
Sinking fund debentures	680.4	567.5
Industrial revenue bonds	94.6	81.9
Other long-term debt	52.5	76.1
	$1,396.5	$1,126.8

The company's sinking fund debentures at December 31 are as follows (in millions):

	1987	1986
5.45% debentures maturing 1984 to 1991, less $5.3 in treasury in 1987 and $6.3 in 1986	$ 2.3	$ 2.3
6% debentures maturing 1984 to 1992, less $6.1 in treasury in 1987 and $7.2 in 1986	6.1	7.7
7.95% debentures maturing 1985 to 1999, less $2.0 in treasury in 1987 and $3.3 in 1986	72.0	77.3
9.20% debentures maturing 1986 to 2005, less $17.3 in treasury in 1987 and $8.4 in 1986	118.3	134.4
8.55% debentures maturing 1989 to 2008, less $4.3 in treasury in 1987 and $4.2 in 1986	95.7	95.8
11-7/8% debentures maturing 1993 to 2012, less $14.0 in treasury in 1987	86.0	100.0
8-5/8% debentures maturing 1997 to 2016	150.0	150.0
8-1/2% debentures maturing 1998 to 2017	150.0	—
	$680.4	$567.5

In 1987, the company filed two shelf registration statements with the Securities and Exchange Commission covering up to $450 million of debt securities to be issued from time to time. As of December 31, 1987, $184 million of this shelf remained available for issuance.

Certain foreign currency denominated debt of the company was issued at a premium or discount from the redemption value or subsequently swapped into a U.S. dollar liability resulting in effective interest rates different than the stated rates. The company has fully hedged its foreign currency exposure for interest and principal payments related to all foreign currency denominated debt issues through agreements with various lending institutions.

The aggregate maturities on all long-term debt are $23.8, $24.9, $71.8, $76.8 and $52.3 million, respectively, for each of the years ending December 31, 1988 through 1992.

5 Stock Option Plans

The company has an Incentive Stock Option Plan and a Non-Qualified Stock Option Plan for certain officers and key employees. Under the terms of the plans, options may be granted at not less than the fair market value of the shares at the date of grant. The Non-Qualified Stock Option Plan provides that optionees may be granted Stock Appreciation Rights (SARs) in tandem with stock options. The exercise of a SAR cancels the related

option and the exercise of an option cancels the related SAR. At December 31, 1987 and 1986, a total of 22,207,465 and 24,538,096 shares, respectively, were reserved for possible future issuance under the plans.

Presented below is the summary of activity for the plans for the year ended December 31:

	1987	1986
Options outstanding at beginning of the year	14,618,006	15,565,556
Options granted during the year	1,539,142	1,387,536
Options exercised during the year	(2,714,404)	(2,192,982)
Options cancelled during the year	(556,686)	(142,104)
Options outstanding at end of the year	12,886,058	14,618,006
Options exercisable at end of the year	8,831,309	8,512,212
Option price range per share	$6.80-$37.69	$6.80-$26.81

The plans provide for acceleration of exercisability of the options upon the occurrence of certain events relating to a change of control, merger, sale of assets or liquidation of the company (Acceleration Events). The Non-Qualified Plan also provides that optionees may be granted Limited Stock Appreciation Rights (LSARs). LSARs become exercisable, in lieu of the option or SAR, upon the occurrence, six months following the date of grant, of an Acceleration Event and entitle the holder to a cash payment per share equivalent to the excess of the share value (under terms of the LSAR) over the grant price. As of December 31, 1986 and 1985, there were 2,522,514 and 3,532,612, respectively, of LSARs outstanding.

6 Pension Plans

The company has pension plans covering substantially all of its employees. Total pension expense for each of the three years ended December 31 is presented below (in millions):

	1987	1986	1985
Single-employer Defined Benefit Plans	$(15.6)	$(13.0)	$ 34.2
Multi-employer Plans	38.4	39.2	39.6
Defined Contribution Plans	7.5	6.0	4.9
	$ 30.3	$ 32.2	$ 78.7

Effective January 1, 1986, the company adopted the provisions of Statement of Financial Accounting Standards No. 87, "Employers' Accounting For Pensions," which had the effect of reducing 1986 pension expense by $45.2 million.

Net periodic pension cost for single-employer defined benefit plans was comprised of the following for the year ended December 31 (in millions):

	1987	1986
Service cost (benefits earned during the period)	$ 21.6	$ 21.1
Interest cost on projected benefit obligation	36.7	32.5
Return on assets:		
Actual return	(35.4)	(84.5)
Deferred actuarial gain/(loss)	(23.1)	33.4
Assumed return	(58.5)	(51.1)
Amortization of prior service cost, actuarial gains/losses and the excess of market value of plan assets over projected benefit obligation at January 1, 1986	(15.4)	(15.5)
Net periodic pension benefit	$(15.6)	$(13.0)

The assumed discount rate and the weighted-average rate of compensation increase used to measure the projected benefit obligation, and the expected long-term rate of return on plan assets were 9.0%, 6.5% and 9.0%, respectively.

The following table sets forth the funded status of all company single-employer defined benefit plans (underfunded plans are not material) at December 31 (in millions):

	1987	1986
Plan assets at fair market value—primarily corporate equity securities and publicly traded bonds	$ 722.1	$ 666.1
Accumulated benefit obligation:		
Vested benefits	(321.0)	(287.1)
Nonvested benefits	(45.4)	(32.2)
Accumulated benefit obligation	(366.4)	(319.3)
Effect of projected compensation increases	(89.6)	(79.4)
Projected benefit obligation	(456.0)	(398.7)
Plan assets in excess of projected benefit obligation	$ 266.1	$ 267.4
Plan assets in excess of projected benefit obligation consist of the following components:		
Unamortized excess of market value of plan assets over projected benefit obligation at January 1, 1986 being amortized over 15 years	$ 204.2	$ 217.1
Unrecognized net actuarial gains	16.7	33.4
Prior service costs	(2.7)	—
Prepaid pension	47.9	16.9
	$ 266.1	$ 267.4

Contributions to multi-employer plans in which the company and its subsidiaries participate are determined in accordance with the provisions of negotiated labor contracts and are based on employee-hours worked.

7 Income Taxes

The provision for income taxes includes the following for each of the three years ended December 31 (in millions):

	1987	1986	1985
Current Tax Provision			
Federal:			
Provision	$334.9	$305.7	$155.0
Investment tax credit	(14.0)	(43.5)	(43.6)
	320.9	262.2	111.4
State and foreign	40.0	29.0	18.7
	360.9	291.2	130.1
Deferred Tax Provision:			
Federal	75.7	125.0	196.3
State and foreign	4.8	7.0	10.4
	80.5	132.0	206.7
	$441.4	$423.2	$336.8

The deferred tax provision results from timing differences in the recognition of income and expense for tax and financial reporting purposes. The primary differences are the calculation of depreciation for tax purposes using accelerated methods and shorter lives and expensing for tax purposes interest cost capitalized for book purposes (tax effect of $79.5 million in 1987, $160.0 million in 1986 and $193.0 million in 1985). During 1985, the company also expensed for tax purposes certain prepaid employee group benefits with a tax effect of $22.3 million.

The company's effective tax rate was 41.8% in 1987, 45.0% in 1986 and 43.2% in 1985. A reconciliation between the statutory rate and the effective rate is presented below:

	1987	1986	1985
Statutory rate	40.0%	46.0%	46.0%
Investment tax credit	(1.3)	(4.6)	(5.6)
State income taxes, net of federal benefit	2.1	1.8	1.9
Other	1.0	1.8	.9
Effective tax rate	41.8%	45.0%	43.2%

The Tax Reform Act of 1986 repealed the investment tax credit retroactive to January 1, 1986 except for certain transitional property. The 1987 and 1986 provisions for income taxes reflect the benefit of $14.0 million and $43.5 million of investment tax credit on transitional capital projects.

8 Convertible Redeemable Preferred Stock

On November 2, 1987, substantially all of the outstanding shares of the company's Series A Convertible Redeemable Preferred Stock were converted to common stock, on exercise of holders' rights of conversion. Pursuant to the terms of the preferred stock, the company had called the preferred stock for redemption on that date. A total of 27,874,556 shares of common stock were issued in the conversion.

In connection with the company's 1982 acquisition of Campbell Taggart, Inc., 7,500,766 shares of Convertible Redeemable Preferred Stock were issued. The preferred stock had a redemption value of $40 per share and accrued dividends at a rate of $3.60 per year per share, and was not callable until November 2, 1987. The shares were subject to mandatory redemption in 1997. The conversion rate for the preferred stock (taking into account subsequent splits of the common stock) was 3.87 shares of common stock for each share of preferred stock, and the preferred stock had voting rights in this ratio. Until the redemption and conversion of the preferred stock, the difference between the redemption value and the carrying value was being amortized over the 15-year period prior to mandatory redemption.

9 Preferred and Common Stock

Stock Activity

Activity in the company's various stock categories for each of the three years ended December 31, is summarized below:

	Common Stock	Common Stock In Treasury	Convertible Redeemable Preferred Stock
December 31, 1984	48,641,869	(1,564,152)	7,498,854
Shares issued under stock option plans and conversion of preferred stock	456,936		(6,897)
Three-for-one stock split	97,535,172	(3,101,901)	
Treasury stock acquired		(3,448,400)	
December 31, 1985	146,633,977	(8,114,453)	7,491,957
Shares issued under stock option plans and conversion of preferred stock	1,258,188		(43,250)
Two-for-one stock split	147,372,759	(8,114,453)	
Treasury stock acquired		(10,170,834)	
December 31, 1986	295,264,924	(26,399,740)	7,448,707
Shares issued under stock plans and conversion of preferred stock	3,737,400		(232,665)
Redemption of preferred stock	27,874,556		(7,216,042)
Treasury stock acquired		(7,477,866)	
December 31, 1987	326,876,880	(33,877,606)	—

At December 31, 1987 and 1986, 40,000,000 and 32,551,293 shares, respectively, of $1.00 par value preferred stock were authorized and unissued.

Stock Repurchase Programs

In 1987, the Board of Directors approved a resolution to authorize the company to purchase up to 15 million shares of its common stock over approximately a two-year period to meet the requirements of the company's various stock option and stock purchase and savings plans. In 1987, 4,413,100 shares were purchased for $134.6 million.

In 1984, the Board of Directors amended a 1982 resolution to authorize the company to purchase up to 28.8 million shares of its common stock. The shares were intended to meet the requirements for the conversion to common stock of preferred stock issued in connection with the acquisition of Campbell Taggart. In 1987, 1986 and 1985, 3,064,766, 10,170,834 and 6,896,800 shares were purchased under this authorization for $100.1 million, $258.9 million and $109.0 million, respectively.

Stockholder Rights Plan

In 1985, the Board of Directors adopted a Stockholder Rights Plan pursuant to which the Board declared a dividend of one preferred stock purchase right on each outstanding share of common stock of the company. The rights have subsequently been amended in certain respects, and the description below reflects the terms of the rights as amended. After the rights become exercisable and until such time as the rights expire or are redeemed, they will entitle the holder to purchase one one-hundredth of a share of a new Series B Junior Participating Preferred Stock, par value $1.00 per share (4,000,000 shares were reserved for issuance at December 31, 1987 and 1986), at a purchase price of $50 per one one-hundredth of a share. The rights will become exercisable on the earlier to occur of (i) the tenth day following a public announcement that a person or group (an "Acquiring Person") has acquired 20% or more of the common stock of the company or (ii) the tenth business day following the commencement of a tender offer or exchange offer by a third party which, upon consummation, would result in such party's control of 30% or more of the common stock of the company.

If, at any time after the rights have become non-redeemable, the company is the surviving corporation in a merger with an Acquiring Person and its common stock is not changed or exchanged, or an Acquiring Person becomes the beneficial owner of more than 30% of the then outstanding shares of common stock, each right will entitle the holder, other than the Acquiring Person, to purchase that number of shares of common stock of the company which has a market value of twice the exercise price of the right.

If, at any time after the rights have become non-redeemable, the company is acquired in a merger or other business combination transaction or 50% or more of its assets or earning power is sold, each right will entitle its holder to purchase that number of shares of common stock of the acquiring company which has a market value of twice the exercise price of the right.

The rights, which do not have voting rights, expire on December 18, 1995, and may be redeemed by the company at a price of 2-1/2 cents per right at any time prior to expiration or the date on which the company's Board of Directors permits the rights to become non-redeemable (subject to reinstatement in certain circumstances).

10 *Commitments and Contingencies*

In connection with the plant expansion and improvement program, the company has commitments for capital expenditures of approximately $409.5 million at December 31, 1987.

Obligations under capital and operating leases are not material.

The company and certain of its subsidiaries are involved in certain claims and legal proceedings in which monetary damages and other relief are sought. The company is vigorously contesting these claims. However, resolution of these claims is not expected to occur quickly and their ultimate outcome cannot presently be predicted. In any event, it is the opinion of management that any liability of the company or its subsidiaries for claims or proceedings will not materially affect its financial position.

11 *Business Segments*

The company has identified its principal business segments as beer and beer-related, food products and diversified operations. The beer and beer-related segment produces and sells the company's beer products. Included in this segment are the company's raw material acquisition, malting, can manufacturing and recycling operations.

The food products segment consists of the company's food and food-related operations which include the company's baking, yeast and snack food subsidiaries and certain rice operations.

Diversified operations consist of the company's entertainment, communications, transportation and real estate operations.

Sales between segments, export sales and non-United States sales are not material. The company's equity in earnings of unconsolidated subsidiaries has been included in other income and expense. No single customer accounted for more than 10% of sales.

Summarized below is the company's business segment information for 1987, 1986 and 1985 (in millions). Intra-segment sales have been eliminated from each segment's reported net sales.

1987:	***Beer and Beer-Related***	***Food Products***	***Diversified Operations***	***Eliminations***	***Consolidated***
Net sales	$6,375.8	$1,627.2	$263.8	$ (8.4)	$8,258.4
Operating income/(loss)*	1,090.2	54.3	(15.4)**		1,129.1
Depreciation and amortization expense***	215.4	70.4	29.7		315.5
Capital expenditures	630.4	149.1	43.4		822.9
Identifiable assets	4,580.5	1,230.1	189.0		5,999.6
Corporate assets****					492.0
Total assets					6,491.6
1986:	***Beer and Beer-Related***	***Food Products***	***Diversified Operations***	***Eliminations***	***Consolidated***
Net sales	$5,898.2	$1,552.7	$247.3	$ (21.0)	$7,677.2
Operating income*	945.8	56.6	2.7		1,005.1
Depreciation and amortization expense***	192.3	60.5	24.7		277.5
Capital expenditures	544.8	164.3	68.2		777.3
Identifiable assets	4,083.8	1,114.1	178.0		5,375.9
Corporate assets****					457.9
Total assets					5,833.8
1985:	***Beer and Beer-Related***	***Food Products***	***Diversified Operations***	***Eliminations***	***Consolidated***
Net sales	$5,412.6	$1,416.4	$189.6	$ (18.3)	$7,000.3
Operating income*	797.0	28.5	6.8		832.3
Depreciation and amortization expense***	161.7	53.2	21.2		236.1
Capital expenditures	461.2	103.7	36.1		601.0
Identifiable assets	3,515.6	935.9	174.6		4,626.1
Corporate assets****					495.3
Total assets					5,121.4

**Operating income excludes other expense, net, which is not allocated among segments. For 1987, 1986 and 1985 other expense, net of $73.0, $63.9 and $51.8 million, respectively, includes net interest expense, other income and expense, and equity in earnings of unconsolidated subsidiaries.*

***Primarily related to the planned disposition of Exploration Cruise Lines.*

****Consolidated depreciation and amortization expenses include $11.8, $9.2 and $7.6 million of depreciation expense related to corporate assets for 1987, 1986 and 1985, respectively.*

*****Corporate assets principally include cash, marketable securities, investment in equity subsidiaries, excess of cost over net assets of acquired businesses and certain fixed assets.*

12 *Additional Information*

The following amounts were charged to costs and expenses (in millions):

	1987	***1986***	***1985***
Maintenance	$316.0	$298.6	$269.4
Depreciation and amortization	$315.5	$277.5	$236.1
Taxes, other than income taxes:			
Payroll	$119.7	$109.0	$ 96.2
Real and personal property	46.1	41.9	39.3
Franchise and other	26.2	24.9	19.1
Total	$192.0	$175.8	$154.6
Advertising costs	$604.0	$601.8	$522.9

Summarized below is selected financial information for Anheuser-Busch, Incorporated (a wholly-owned subsidiary of Anheuser-Busch Companies, Inc.) as of and for the year ended December 31 (in millions):

	1987	1986	1985
Income Statement Information:			
Net sales	$6,117.5	$5,738.1	$5,292.3
Gross profit	2,165.3	1,965.8	1,681.7
Income from continuing operations	967.1	820.0	696.9
Net income	574.4	445.6	385.4
Balance Sheet Information:			
Current assets	557.2	553.3	
Non-current assets	5,562.8	4,727.6	
Current liabilities	533.8	590.2	
Non-current liabilities (1)	2,396.7	2,075.6	

(1) Anheuser-Busch, Incorporated is co-obligor for all outstanding Anheuser-Busch Companies, Inc. indebtedness for money borrowed. Accordingly, all such debt is included as an element of non-current liabilities.

13 Quarterly Financial Data (Unaudited)

Summarized quarterly financial data for 1987 and 1986 (in millions, except per share data) appear below:

	Net sales		Gross profit		Net income		Earnings per share	
	1987	1986	1987	1986	1987	1986	1987	1986
First quarter	$1,921.6	$1,749.0	$ 683.5	$ 589.5	$128.1	$108.0	$ .42	$ .35
Second quarter	2,146.3	1,978.8	777.3	724.5	181.8	152.4	.60	.49
Third quarter	2,148.2	2,022.0	793.9	734.8	195.2	163.9	.65	.54
Fourth quarter	2,042.3	1,927.4	693.4	659.2	109.6	93.7	.37	.31
Total year	$8,258.4	$7,677.2	$2,948.1	$2,708.0	$614.7	$518.0	$ 2.04	$ 1.69

Report of Independent Accountants

Price Waterhouse

One Centerre Plaza
St. Louis, MO 63101

February 8, 1988

To the Shareholders and
Board of Directors of
Anheuser-Busch Companies, Inc.

In our opinion, the accompanying Consolidated Balance Sheet and the related Consolidated Statements of Income, Changes in Shareholders Equity and Changes in Financial Position present fairly the financial position of Anheuser-Busch Companies, Inc. and its subsidiaries at December 31, 1987 and 1986, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1987, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

Financial Summary–Operations

Anheuser-Busch Companies, Inc., and Subsidiaries

(In millions, except per share data)

	1987	1986	1985
Consolidated Summary Of Operations			
Barrels sold	76.1	72.3	68.0
Sales	$9,019.1	$8,401.7	$7,683.3
Federal and state excise taxes	760.7	724.5	683.0
Net sales	8,258.4	7,677.2	7,000.3
Cost of products sold	5,310.3	4,969.2	4,676.1
Gross profit	2,948.1	2,708.0	2,324.2
Marketing, administrative and research expenses	1,819.0	1,702.9	1,491.9
Operating income	1,129.1	1,005.1	832.3
Interest expense	(124.4)	(96.9)	(93.4)
Interest capitalized	40.3	33.2	37.2
Interest income	12.8	9.6	21.3
Other expense, net	(1.7)	(9.8)	(16.9)
Gain on sale of Lafayette plant	—	—	—
Income before income taxes	1,056.1	941.2(3)	780.5
Income taxes	441.4	423.2	336.8
Income before cumulative effect of an accounting change	614.7	518.0	443.7
Cumulative effect of change to the flow-through method of accounting for the investment tax credit (1)	—	—	—
Net income	614.7	518.0(3)	443.7
Per share—Primary			
Income before cumulative effect of an accounting change	2.04	1.69(3)	1.42
Cumulative effect of change to the flow-through method of accounting for the investment tax credit (1)	—	—	—
Net income	2.04	1.69(3)	1.42
Per share—Fully diluted	2.04	1.69(3)	1.42
Cash dividends paid			
Common stock	148.4	120.2	102.7
Per share	.54	.44	.36⅔
Preferred stock	20.1	26.9	27.0
Per share	3.23	3.60	3.60
Average number of common shares	301.5	306.6	312.6

Notes To Financial Summary—Operations

Note: All per share information and average number of common shares data reflect the September 12, 1986 two-for-one stock split and the June 14, 1985 three-for-one stock split. All amounts reflect the acquisition of Campbell Taggart, Inc. as of November 2, 1982.

(1) Effective January 1, 1979, the company adopted the flow-through method of accounting for investment tax credits. In prior years, the company followed the practice of adding investment tax credit to income over the productive lives of the assets generating such credit, rather than in the year in which the assets were placed in service. Accordingly, such benefits deferred in prior years are being added to income in the current year.

1984	1983	1982	1981	1980	1979	1978	1977
64.0	60.5	59.1	54.5	50.2	46.2	41.6	36.6
$7,158.2	$6,658.5	$5,185.7	$4,409.6	$3,822.4	$3,263.7	$2,701.6	$2,231.2
657.0	624.3	609.1	562.4	527.0	487.8	442.0	393.2
6,501.2	6,034.2	4,576.6	3,847.2	3,295.4	2,775.9	2,259.6	1,838.0
4,414.2	4,113.2	3,331.7	2,975.5	2,553.9	2,172.1	1,762.4	1,462.8
2,087.0	1,921.0	1,244.9	871.7	741.5	603.8	497.2	375.2
1,332.3	1,220.2	752.0	515.0	428.6	356.7	274.9	190.4
754.7	700.8	492.9	356.7	312.9	247.1	222.3	184.8
(102.7)	(111.4)	(89.2)	(89.6)	(75.6)	(40.3)	(28.9)	(26.7)
46.8	32.9	41.2	64.1	41.7	—	—	—
22.8	12.5	17.0	6.2	2.4	8.4	11.7	7.7
(31.8)	(18.8)	(8.1)	(12.2)	(9.9)	5.4	.7	4.1
—	—	20.4	—	—	—	—	—
689.8	616.0	474.2	325.2	271.5	220.6	205.8	169.9
298.3	268.0	186.9	107.8	99.7	76.3	94.8	78.0
391.5	348.0	287.3	217.4	171.8	144.3	111.0	91.9
—	—	—	—	—	52.1	—	—
391.5	348.0	287.3(2)	217.4	171.8	196.4	111.0	91.9
1.23	1.08	1.00	.80	.64	.54	.41	.34
—	—	—	—	—	.19	—	—
1.23	1.08	1.00(2)	.80	.64	.73	.41	.34
1.23	1.08	.98(2)	.77	.64	.73	.41	.34
89.7	78.3	65.8	51.2	44.8	40.7	37.0	32.0
$.31\frac{1}{3}$	.27	.23	$.18\frac{4}{5}$	$.16\frac{1}{2}$	.15	$.13\frac{2}{3}$	$.11\frac{4}{5}$
27.0	29.7	—	—	—	—	—	—
3.60	3.60	—	—	—	—	—	—
317.4	321.0	288.6	272.4	271.2	271.2	270.6	270.6

(2) Net income and net income per share include a nonrecurring gain on the sale of the corn refining plant in Lafayette, Indiana. This nonrecurring gain increased net income $13.3 million, primary earnings per share $.05 and fully diluted earnings per share $.04.

(3) Effective January 1, 1986, the company adopted the provisions of Financial Accounting Standards No. 87 (FAS 87), "Employers' Accounting For Pensions." The financial effect of FAS 87 adoption was to increase 1986 pretax income $45 million, net income $23 million and earnings per share $.08.

Financial Summary–Balance Sheet and Other Information

Anheuser-Busch Companies, Inc., and Subsidiaries

(In millions, except per share and statistical data)

	1987	1986	1985
Balance Sheet Information			
Working capital	$ 82.9	$ 5.0	$ 127.7
Current ratio	1.1	1.0	1.2
Plant and equipment, net	4,914.1	4,427.6	3,885.9
Long-term debt	1,396.5	1,126.8	861.3
Total debt to total debt plus equity	32.6%	30.9%(1)	25.9%(1)
Deferred income taxes	1,160.5	1,090.8	961.7
Convertible redeemable preferred stock	—	286.9	287.6
Common stock and other shareholders equity	2,892.2	2,313.7	2,173.0
Return on shareholders equity	22.4%	20.5%	18.9%
Total assets	6,491.6	5,833.8	5,121.4
Other Information			
Capital expenditures	822.9	777.3	601.0
Depreciation and amortization	315.5	277.5	236.1
Total payroll cost	1,780.5	1,629.1	1,547.7
Effective tax rate	41.8%	45.0%	43.2%
Price/earnings ratio	16.4	15.5	14.9
Percent of pre-tax profit on gross sales	11.7%	11.2%	10.2%
Market price range of common stock (high/low)	39¾-26⅜	28⅝-20	22⅞-11⅞
Pro Forma Information Assuming Retroactive Application Of The Flow-Through Method Of Accounting For The Investment Tax Credit (3):			
Net income (4)	614.7	518.0 (5)	443.7
Net income per share (4):			
Primary	2.04	1.69 (5)	1.42
Fully diluted	2.04	1.69 (5)	1.42
Common stock and other shareholders equity	2,892.2	2,313.7	2,173.0
Return on shareholders equity	22.4%	20.5%	18.9%
Book value per share	9.87	8.61	7.84
Effective tax rate	41.8%	45.0%	43.2%

Notes To Financial Summary—Balance Sheet And Other Information

Note: All per share information reflects the September 12, 1986 two-for-one stock split and the June 14, 1985 three-for-one stock split. All amounts reflect the acquisition of Campbell Taggart, Inc. as of November 2, 1982.

(1) This percentage has been calculated by including convertible redeemable preferred stock as part of equity because it was convertible into common stock and was trading primarily on its equity characteristics.

(2) This percentage has been adjusted to reflect the change in the method of accounting for the investment tax credit in 1979, but excludes the cumulative effect.

1984	1983	1982	1981	1980	1979	1978	1977
$ 80.3	$ 175.1	$ 45.8	$ 45.9	$ 26.3	$ 88.1	$ 223.7	$ 175.4
1.1	1.2	1.1	1.1	1.1	1.3	1.8	1.8
3,515.0	3,204.2	2,988.9	2,257.6	1,947.4	1,461.8	1,109.2	952.0
835.8	961.4	969.0	817.3	743.8	507.9	427.3	337.5
27.2%(1)	31.9%(1)	35.4%(1)	42.4%	43.4%	36.0%	36.4%	33.4%
755.0	573.2	455.1	357.7	261.6	193.8	146.9	119.1
286.9	286.0	285.0	—	—	—	—	—
1,951.0	1,766.5	1,526.6	1,206.8	1,031.4	904.3	747.9	673.9
18.2%	18.0%	19.9%	19.3%	17.8%	16.9%(2)	15.6%	14.3%
4,524.7	4,330.2	3,902.8	2,875.2	2,449.7	1,926.0	1,648.0	1,403.8
519.2	428.0	355.8	421.3	590.0	432.3	228.7	156.7
203.4	187.3	133.6	108.7	99.4	75.4	66.0	61.2
1,427.5	1,350.8	853.3	686.7	594.1	529.1	421.8	338.9
43.2%	43.5%	39.4%	33.1%	36.7%	34.6%	46.0%	45.9%
9.8	9.6	11.0	8.9	7.3	7.1	9.8	9.8
9.6%	9.3%	9.1%	7.4%	7.1%	6.8%	7.6%	7.6%
12⅜-8⅞	12⅞-9¾	11⅞-6½	7⅜-4⅝	5¼-3½	4½-3¼	4⅝-2⅞	4¼-3⅛
391.5	348.0	287.3	217.4	171.8	144.3	121.9	98.3
1.23	1.08	1.00	.80	.64	.54	.45	.37
1.23	1.08	.98	.77	.64	.54	.45	.37
1,951.0	1,766.5	1,526.6	1,206.8	1,031.4	904.3	800.1	715.1
18.2%	18.0%	19.9%	19.3%	17.8%	16.9%	16.1%	14.4%
6.91	6.09	5.27	4.43	3.81	3.33	2.96	2.64
43.2%	43.5%	39.4%	33.1%	36.7%	34.6%	40.8%	42.1%

(3) Effective January 1, 1979, the company adopted the flow-through method of accounting for the investment tax credit. In prior years, the company followed the practice of adding investment tax credit to income over the productive lives of the assets generating such credit, rather than in the year in which the assets were placed in service. Accordingly, such benefits deferred in prior years are being added to income in the current year.

(4) Includes the capitalization of interest effective January 1, 1980 that relates to the capital cost of acquiring certain fixed assets.

(5) Effective January 1, 1986, the company adopted the provisions of Financial Accounting Standards No. 87 (FAS 87), "Employers' Accounting For Pensions." The financial effect of FAS 87 adoption was to increase net income $23 million and earnings per share $.08.

Investor Information

The Corporation

Anheuser-Busch Companies, Inc. is a diversified corporation whose subsidiaries include the world's largest brewing organization and the country's second largest producer of fresh baked goods. Other subsidiaries operate in the fields of container manufacturing and recycling, malt and rice production, international beer marketing, non-beer beverages, snack foods, baker's yeast, family entertainment, real estate development, major league baseball, stadium ownership, creative services, railcar repair and transportation services.

Trademarks

Trademarks of the corporation and its subsidiaries include: Anheuser-Busch, the A & Eagle Design, Budweiser, Bud, Bud Light, King of Beers, Michelob, Michelob Light, Michelob Classic Dark, Mich, Busch, Natural Light, LA, King Cobra, Busch Gardens, The Dark Continent, The Old Country, Adventure Island, Kingsmill, Cardinals, Eagle (for snacks), Rainbo, Colonial, Earth Grains and El Charrito.

Annual Meeting

The annual meeting of shareholders will be held on Wednesday, April 27, 1988, in Fort Collins, Colo. A formal notice of the meeting together with a proxy statement will be mailed to shareholders in mid-March 1988.

Additional Information

A copy of the company's annual report to the Securities and Exchange Commission (Form 10-K) is available to shareholders without charge upon written request to John L. Hayward, Vice President and Secretary, Anheuser-Busch Companies, Inc., One Busch Place, St. Louis, Mo. 63118.

Copies of the corporation's "Fact Book," a general information brochure, may be obtained by writing Corporate Communications Department, Anheuser-Busch Companies, Inc., One Busch Place, St. Louis, Mo. 63118.

Common Stock

Anheuser-Busch Companies, Inc. common stock is listed and traded on the New York Stock Exchange and the London, Frankfurt, Paris, Zurich, Geneva, Basle and Tokyo Stock Exchanges. It is also traded on the Boston, Midwest, Cincinnati, Pacific and Philadelphia Stock Exchanges and the over-the-counter market. Options in the company's common stock are traded on the Philadelphia Stock Exchange. The stock is quoted as "Anheus" in stock table listings in daily newspapers in the U.S.; the abbreviated ticker symbol is "BUD."

Dividends

Dividends on common stock are normally paid in the months of March, June, September and December.

Dividend Reinvestment

The company's Dividend Reinvestment Plan allows shareholders to reinvest dividends in Anheuser-Busch Companies, Inc. common stock automatically, regularly and conveniently—without service charges or brokerage fees. In addition, participating shareholders may supplement the amount invested with voluntary cash investments on the same cost-free basis. Plan participation is voluntary and shareholders may join or withdraw at any time.

Full details concerning the plan are available by writing to Morgan Shareholder Services Trust Company, Dividend Reinvestment Plan, P.O. Box 3506, Church Street Station, New York, New York 10008-3506. Be certain to include a reference to Anheuser-Busch Companies, Inc. Plan information can also be obtained by writing to Anheuser-Busch Companies, Inc., Investor Relations, Bldg. 202-5, One Busch Place, St. Louis, Missouri 63118.

Transfer Agent-Common Stock	Centerre Trust Company of St. Louis 510 Locust Street St. Louis, Missouri 63101 (314) 231-9300
Registrars-Common Stock	Mercantile Trust Company National Association 721 Locust Street St. Louis, Missouri 63101 Centerre Trust Company of St. Louis 510 Locust Street St. Louis, Missouri 63101
Dividend Disbursing Agent	Centerre Trust Company of St. Louis 510 Locust Street St. Louis, Missouri 63101 (314) 231-9300
Trustees-Debentures/Notes	5.45%, 6.00%, 8-5/8%, 8-1/2% and 11-7/8% debentures, 8.00% notes and 14% Australian dollar notes: Chemical Bank 20 Pine Street New York, New York 10015 7.95%, 8.55% and 9.20% debentures: Morgan Guaranty Trust Company of New York 30 West Broadway New York, New York 10015 15-3/8% notes: InterFirst Bank Dallas, N.A. 1601 Elm Street Dallas, Texas 75283 8-7/8% notes and medium term notes: Manufacturers Hanover Trust Company 600 Fifth Avenue New York, New York 10020
Fiscal Agents-Notes/Bonds	11-1/8% notes: Manufacturers Hanover Trust Company 600 Fifth Avenue New York, New York 10020 8% dual-currency Japanese yen/U.S. dollar notes: The Industrial Bank of Japan, Limited 3-3 Marunouchi 1-Chome Chiyoda-ku Tokyo 100, Japan
Independent Accountants	Price Waterhouse One Centerre Plaza St. Louis, Missouri 63101
Corporate Office	One Busch Place St. Louis, Missouri 63118 (314) 577-2000

Anheuser-Busch Companies, Inc.

Policy Committee

August A. Busch III*
Chairman of the Board and President

Jerry E. Ritter*
Vice President and Group Executive

Barry H. Beracha
Vice President and Group Executive

**Member of the Corporate Office*

Patrick T. Stokes
Vice President and Group Executive

John H. Purnell
Senior Vice President–Corporate Planning and Development

W. Randolph Baker
Vice President and Group Executive

Stephen K. Lambright
Vice President and Group Executive

Stuart F. Meyer
Vice President–Corporate Human Resources

Raymond E. Goff
Vice President and Group Executive

Other Officers

John L. Hayward
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